THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker and other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Shipping Container Lines Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

中 海 集 裝 箱 運 輸 股 份 有 限 公 司

China Shipping Container Lines Company Limited *

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 02866)

(1) CONNECTED AND VERY SUBSTANTIAL ACQUISITIONS: ACQUISITION OF EQUITY INTERESTS IN RELATION WITH (a) CONTAINER LEASING BUSINESS; (b) SHIPPING-RELATED FINANCIAL SERVICE BUSINESS; AND (c) MINORITY FINANCIAL INTERESTS (2) CONNECTED AND MAJOR TRANSACTIONS: DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES AND ASSOCIATE COMPANIES (3) CONTINUING CONNECTED TRANSACTION: LEASE OF VESSELS AND CONTAINERS AND (4) MAJOR AND CONTINUING CONNECTED TRANSACTION: PROVISION OF FINANCIAL SERVICES TO CS GROUP

Financial Adviser of CS Container

CICC
中金香港证券

Independent Financial Adviser of CS Container

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 19 to 124 of this circular. A letter from the Independent Board Committee is set out on pages 125 to 126 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 127 to 178 of this circular. A notice convening the EGM of China Shipping Container Lines Company Limited to be held at 10:00 a.m. on Monday, 1 February 2016 at Holiday Inn Shanghai, No. 399 Jinzun Road, Pudong New Area, Shanghai, the People's Republic of China has been despatched the Shareholders on Friday, 18 December 2015.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holder of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to Directorate Secretary Office of the Company not later than Tuesday, 12 January 2016.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "China Shipping Container Lines Company Limited".*

31 December 2015

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In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below.

"Acquisition Delivery Date"	within 30 days after the settlement of consideration contemplated under certain agreements of the Equity Acquisition Agreements upon all conditions precedent thereto being met in such manners satisfactory to all relevant parties (or being waived, wherever necessary)
"Assets Lease Framework Agreement"	the Assets Lease Framework Agreement entered into by CS Container and China COSCO on 11 December 2015 in relation to the charter and lease of vessels and containers by CS Container to China COSCO
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of CS Container
"Capital Increase"	an amount of RMB614 million capital contribution to be made by CS Container for approximately 17.53% equity interest in COSCO Finance pursuant to the COSCO Finance Capital Increase Agreement
"CBHB"	China Bohai Bank Co., Ltd. (渤海銀行股份有限公司), a joint-stock company incorporated in the PRC with limited liability, in which COSCO Company directly holds a 13.67% equity interest
"CBHB Equity"	a 13.67% equity interest directly held by COSCO Company in CBHB
"CBHB Equity Acquisition Agreement"	an agreement entered into between CS Container and COSCO Company on 11 December 2015 in relation to the acquisition of the CBHB Equity by CS Container from COSCO Company
"CBRC"	China Banking Regulatory Commission
"China COSCO"	China COSCO Holdings Company Limited (中國遠洋控股股份有限公司), a joint-stock company incorporated in the PRC with limited liability, H Shares and A Shares of which are listed on the Stock Exchange (Stock Code: 1919) and SHSE (Stock Code: 601919), respectively, and a direct non-wholly-owned subsidiary of COSCO Company
"China COSCO Group"	China COSCO and its subsidiaries

"CIMC"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint-stock company incorporated in the PRC with limited liability, H shares and A shares of which are listed on the Stock Exchange (H stock code: 2039) and SZSE (Stock Code: 000039), respectively
"CIMC Equity"	a 22.58% equity interest directly and indirectly held by Long Honour in CIMC on 31 October 2015
"Closing Audit Date"	(i) the last date of the previous month where the completion occurs if the completion date falls before the 15th date (including that day) of the calendar month; and (ii) the last date of the current month where the completion occurs if the completion date falls after the 15th date (excluding that day) of the calendar month
"Completion"	completion of transactions contemplated under (1) the Equity Sales Agreements and (2) the Equity Acquisition Agreements
"Container Leasing Business Acquisition Agreements"	(1) Dong Fang International Acquisition Agreement and (2) Florens Acquisition Agreement
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"COSCO Company"	China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a state-owned enterprise and the controlling shareholder of China COSCO
"COSCO Container"	COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China COSCO
"COSCO Container HK"	COSCO Container Lines (Hong Kong) Co., Limited (中遠集運(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO Container
"COSCO Finance"	COSCO Finance Co., Ltd. (中遠財務有限責任公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of COSCO Company
"COSCO Finance Capital Increase Agreement"	an agreement entered into between CS Container and COSCO Finance Shareholders on 11 December 2015 in relation to the Capital Increase to be made by CS Container in COSCO Finance

"COSCO Finance Shareholders"	COSCO Company, COSCO Container, COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸有限公司), COSCO Shipping Co., Ltd. (中遠航運股份有限公司), Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), Dalian Ocean Shipping Co., Ltd. (大連遠洋運輸有限公司), Xiamen Ocean Shipping Co., Ltd. (廈門遠洋運輸公司), COSCO International Freight Co., Ltd. (中遠國際貨運有限公司), China Ocean Shipping Agency Co., Ltd. (中國外輪代理有限公司), China Ocean Shipping Tally Company (中國外輪理貨總公司), COSCO Shipbuilding Industry Company (中遠造船工業公司), COSCO Shipyard Group Co., Ltd. (中遠船務工程集團有限公司) and China Marine Bunker (Petro China) Co., Ltd. (中國船舶燃料有限責任公司)
"COSCO Group"	COSCO Company and its subsidiaries
"COSCO HK"	COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO Company
"COSCO Pacific"	COSCO Pacific Limited (中遠太平洋有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199), an indirect non-wholly-owned subsidiary of China COSCO
"COSCO Pacific Group"	COSCO Pacific and its subsidiaries
"CS Company"	China Shipping (Group) Company (中國海運(集團)總公司), a state-owned enterprise and the controlling shareholder of CS Container
"CS Container" or "Company"	China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), a joint-stock company incorporated in the PRC with limited liability, H Shares and A Shares of which are listed on the Stock Exchange (Stock Code: 2866) and SHSE (Stock Code: 601866), respectively, and a direct non-wholly-owned subsidiary of CS Company
"CS Container Agency HK"	China Shipping Container Lines Agency (Hong Kong) Co., Limited (中海集裝箱運輸(香港)代理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CS Container HK

"CS Container Agency HK Sales Agreement"	an agreement entered into between CS Container HK and COSCO Container HK on 11 December 2015 in relation to the sales of the entire equity interests in CS Container Agency HK by CS Container HK to COSCO Container HK
"CS Container Agency SZ"	China Shipping Container Lines Agency (Shenzhen) Co., Ltd. (中海集裝箱運輸代理(深圳)有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of CS Container HK
"CS Container Group" or "Group"	CS Container and its subsidiaries
"CS Container HK"	China Shipping Container Lines (Hong Kong) Co., Limited (中海集裝箱運輸(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CS Container
"CS Development"	China Shipping Development Company Limited (中海發展股份有限公司), a joint-stock company incorporated in the PRC with limited liability, H shares and A shares of which are listed on the Stock Exchange (Stock Code: 1138) and SHSE (Stock Code: 600026), respectively, and a direct non-wholly-owned subsidiary of CS Company
"CS Development Group"	CS Development and its subsidiaries
"CS Finance"	China Shipping Finance Company Limited (中海集團財務有限責任公司), a company incorporated in the PRC with limited liability, with 25% of its equity interests held by CS Container
"CS Finance Equity"	a 40% equity interest directly and indirectly held by CS Company in CS Finance
"CS Financial Assets Acquisition Agreement"	an agreement entered into between CS Container HK and CS Hong Kong on 11 December 2015 in relation to the acquisition by CS Container HK of Helen Insurance and CS Nauticgreen from CS Hong Kong
"CS Group"	CS Company and its subsidiaries
"CS Guangzhou"	Guangzhou Maritime Transport (Group) Co., Ltd. (廣州海運(集團)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CS Company

"CS Haisheng"	China Shipping Haisheng Co., Ltd. (中海(海南)海盛船務股份有限公司), a joint-stock company incorporated in the PRC with limited liability, A shares of which are listed on the SHSE (Stock Code: 600896), in which CS Company holds a 13.38% equity interest
"CS Hong Kong"	China Shipping (Hong Kong) Holdings Co., Limited (中國海運(香港)控股有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of CS Company
"CS Investment"	China Shipping Investment Co. Ltd. (中海集團投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CS Company
"CS Investment Acquisition Agreement"	an agreement entered into between CS Container, CS Company, CS Shanghai and CS Guangzhou on 11 December 2015 in relation to the acquisition by CS Container of CS Investment
"CS Leasing"	China Shipping Leasing Co., Ltd. (中海集團租賃有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CS Company
"CS Leasing Acquisition Agreement"	an agreement entered into between CS Container and CS Company on 11 December 2015 in relation to the acquisition by CS Container of CS Leasing
"CS Nauticgreen"	China Shipping Nauticgreen Holdings Company Limited (中海綠舟控股有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of CS Hong Kong

"CS Onshore Agency Sales Agreement"	an agreement entered into between CS Container and China COSCO on 11 December 2015 in relation to the sales of a variety of Onshore Agencies and Other Related Business, including shipping agency, information technology, domestic shipping, logistics and port assets to China COSCO from CS Container, including (1)100% equity interests in China Shipping Container Lines Dalian Co., Ltd. (中海集裝箱運輸大連有限公司), (2) 100% equity interests in China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司), (3) 100% equity interests in China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司), (4) 100% equity interests in China Shipping Container Lines Shanghai Co., Ltd. (中海集裝箱運輸上海有限公司), (5) 100% equity interests in China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司), (6) 100% equity interests in China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司), (7) 100% equity interests in China Shipping Container Lines Shenzhen Co., Ltd. (中海集裝箱運輸深圳有限公司), (8) 100% equity interests in China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司), (9) 100% equity interest in China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (中海集運(大連)信息處理有限公司), (10) 98.2% equity interests in Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司), (11) 100% equity interests in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司), (12) 50% equity interests in Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司), (13) 45% equity interests in Jinzhou Port Container and Railway Logistics Limited (錦州港集鐵物流有限公司), (14) 20.07% equity interests in Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車運輸有限責任公司), (15) 10% equity interests in China Shipping Container Lines Yinkou Company Limited (中海集裝箱運輸營口有限公司), (16) 10% equity interests in China Shipping Container Lines Qinhuangdao Company Limited (中海集裝箱運輸秦皇島有限公司), (17) 10% equity interests in China Shipping Container Lines Lianyungang Company Limited (連雲港中海集裝箱運輸有限公司), (18) 10% equity interests in China Shipping Container Lines Longkou Company Limited (龍口中海集裝箱運輸有限公司), (19) 45%

	equity interests in China Shipping Container Lines Zhejiang Company Limited (中海集裝箱運輸浙江有限公司), (20) 45% equity interests in China Shipping Container Lines Jiangsu Company Limited (江蘇中海集裝箱運輸有限公司), (21) 10% equity interests in China Shipping Container Lines Quanzhou Company Limited (泉州中海集裝箱運輸有限公司), (22) 10% equity interests in China Shipping Container Lines Fuzhou Company Limited (福州中海集裝箱運輸有限公司), (23) 10% equity interests in China Shipping Container Lines Shantou City Company Limited (汕頭市中海集裝箱運輸有限公司), (24) 10% equity interests in China Shipping Container Lines Zhongshan Company Limited (中山中海集裝箱運輸有限公司), (25) 10% equity interests in China Shipping Container Lines Fangchenggang Company Limited (防城港中海集裝箱運輸有限公司), (26) 10% equity interests in China Shipping Container Lines Zhanjiang Company Limited (湛江中海集裝箱運輸有限公司), (27) 10% equity interests in China Shipping Container Lines Jiangmen Company Limited (江門中海集裝箱運輸有限公司) and (28) 10% equity interests in China Shipping Container Lines Dongguan City Company Limited (東莞市中海集裝箱運輸有限公司)
"CS Ports"	China Shipping Ports Development Co., Ltd. (中海港口發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are held by CS Container and CS Hong Kong as to 49% and 51%, respectively
"CS Ports Sales Agreement"	an agreement entered into between CS Container, CS Hong Kong and COSCO Pacific on 11 December 2015 in relation to the sales of the entire equity interests in CS Ports to COSCO Pacific
"CS Regional"	China Shipping Regional Holdings Pte. Ltd. (中國海運(東南亞)控股有限公司), a company incorporated in Singapore with limited liability, and a wholly-owned subsidiary of CS Company
"CS Shanghai"	Shanghai Shipping (Group) Company (上海海運(集團)公司), a company incorporated in the PRC and a wholly-owned subsidiary of CS Company
"CSRC"	China Securities Regulatory Commission

"CSSP"	China Shipping (Singapore) Petroleum Pte. Ltd. (中國海運(新加坡)石油有限公司), a company incorporated in Singapore and in which CS Container HK and CS Regional hold 91% and 4% of the equity interests, respectively
"CSSP Equity"	a 91% equity interest held by CS Container HK in CSSP
"CSSP Equity Sales Agreement"	an agreement entered into between CS Container HK and CS Regional on 11 December 2015 in relation to the sales of CSSP Equity to CS Regional from CS Container HK
"Director(s)"	the directors of CS Container
"Dong Fang International"	Dong Fang International Investment Limited (東方國際投資有限公司), a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of CS Company
"Dong Fang International Acquisition Agreement"	an agreement entered into between CS Container HK and CS Hong Kong on 11 December 2015 in relation to the acquisition by CS Container HK of Dong Fang International from CS Company
"Drewry"	Drewry Shipping Consultants Ltd., an independent consultant specialized in shipping industry engaged jointly by China COSCO and CS Container
"EGM"	the extraordinary general meeting to be convened by CS Container to approve (amongst others) (1) the Equity Acquisition Agreements and the transactions contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder and (4) the Financial Services Provision Framework Agreement and the transactions and the proposed annual caps contemplated thereunder
"Enlarged Group"	CS Container and its subsidiaries upon completion of the transactions contemplated under the Equity Sales Agreements and the Equity Acquisition Agreements
"Equity Acquisition Agreements"	(1) the Container Leasing Business Acquisition Agreements; (2) the Shipping-related and Other Financial Service Business Acquisition Agreements and (3) the Minority Financial Interests Acquisition Agreements

"Equity Sales Agreements"	(1) the CS Ports Sales Agreement; (2) the Offshore Agency Sales Agreements; and (3) the Onshore Agency Sales Agreement
"Financial Equity"	target entities under the Equity Acquisition Agreements
"Financial Services Provision Framework Agreement"	the framework agreement dated 11 December 2015 entered into between CS Container and CS Company in relation to the provision of relevant financial services by the Group to CS Company and/or its associates
"Florens"	Florens Container Holdings Limited (佛羅倫貨箱控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of COSCO Pacific
"Florens Acquisition Agreement"	an agreement entered into between CS Container HK and COSCO Pacific on 11 December 2015 in relation to the acquisition by CS Container HK of Florens from COSCO Pacific
"Golden Sea"	Golden Sea Shipping Pte. Ltd. (鑫海航運有限公司), a company incorporated in Singapore with limited liability, in which CS Container and CS Regional hold 60% and 40% of the equity interests, respectively
"Golden Sea Equity"	a 9% equity interest in Golden Sea to be sold by CS Container to CS Regional
"Golden Sea Equity Sales Agreement"	an agreement entered into between CS Container and CS Regional on 11 December 2015 in relation to the acquisition of the Golden Sea Equity by CS Regional from CS Container
"Golden Sea Sales Agreement"	an agreement entered into between CS Container and COSCO Container on 11 December 2015 in relation to the sales of a 51% equity interest in Golden Sea to COSCO Container by CS Container
"Helen Insurance"	Helen Insurance Brokers Limited (海寧保險經紀有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of CS Hong Kong
"HK$"	HK$, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Board Committee"	an independent committee of the Board, comprising Ms. Zhang Nan, Mr. Guan Yimin, Mr. Shi Xin, Ms. Hai Chi Yuet and Mr. Graeme Jack, all of whom are Independent Non-executive Directors, to provide recommendations to the Independent Shareholders in respect of (1) the Equity Acquisition Agreements and the transactions as contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder and (4) the Financial Services Provision Framework Agreement and the transactions and the proposed annual caps contemplated thereunder
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on Corporate Finance) regulated activities under the SFO, and an independent financial adviser to the Independent Board Committee and the Independent Shareholders as to (1) the Equity Acquisition Agreements and the transactions contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder and (4) the Financial Services Provision Framework Agreement and the transactions and the proposed annual caps contemplated thereunder
"Independent Non-executive Director(s)"	the independent non-executive directors of CS Container

"Independent Shareholder(s)"	the shareholders of CS Container (excluding CS Company and its associates) under the Listing Rules to cast votes with respect to the resolutions regarding the Restructuring including (1) the Equity Acquisition Agreements and the transactions contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder and (4) the Financial Services Provision Framework Agreement and the transactions and the proposed annual caps contemplated thereunder at the EGM
"Latest Practicable Date"	Thursday, 24 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Leased Assets"	the vessels and containers leased by CS Container to China COSCO under the Assets Lease Framework Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Honour"	Long Honour Investments Limited (長譽投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of COSCO HK
"Long Honour Acquisition Agreement"	an agreement entered into between CS Container HK and COSCO HK on 11 December 2015 in relation to the acquisition of Long Honour from COSCO HK by CS Container HK
"Long Stop Date"	31 December 2016 (or such other longer period as may be agreed by all parties involved in the relevant agreements)
"Minority Financial Interests Acquisition Agreements"	(1) the COSCO Finance Capital Increase Agreement; (2) the Long Honour Acquisition Agreement and (3) the CBHB Equity Acquisition Agreement
"MOFCOM"	the Ministry of Commerce of the PRC

"Offshore Agency Sales Agreements"	(1) the CS Container Agency HK Sales Agreement; (2) the Universal Shipping Sales Agreement; (3) the Golden Sea Sales Agreement; (4) the CSSP Equity Sales Agreement; and (5) the Golden Sea Equity Sales Agreement
"Onshore Agencies and Other Related Business"	target entities to be sold by CS Container to China COSCO pursuant to the CS Onshore Agency Sales Agreement
"Onshore Agency Sales Agreements"	(1) the CS Onshore Agency Sales Agreement; and (2) the Shenzhen Agency Sales Agreement
"Pan Asia Shipping"	Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COSCO Container
"PBOC"	the People's Bank of China, being the central bank of the PRC
"PRC"	the People's Republic of China, for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"PRC GAAP"	PRC Generally Accepted Accounting Principles
"PRC Valuer"	China Tong Cheng Assets Appraisal Co., Ltd., an independent third party of all parties involved in the relevant agreements under the Restructuring
"Proposed Transactions"	transactions contemplated under (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; and (3) the Assets Lease Framework Agreement
"Reference Date"	30 September 2015
"Restructuring"	a series of inter-conditional transactions restructuring of the proposed material assets restructuring plan, mainly involving CS Container Group and China COSCO Group, including transactions contemplated under (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; and (3) the Assets Lease Framework Agreement
"RMB"	RMB, the lawful currency of the PRC

"Sales Delivery Date"	within 30 days after the settlement of consideration contemplated under certain of the Equity Sales Agreements upon all conditions precedent hereto being met in such manners satisfactory to all relevant parties (or being waived, wherever necessary)
"Sales Equity"	target entities under the Equity Sales Agreements
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Hong Kong Law)
"Share(s)"	the shares of CS Container
"Shareholder(s)"	the shareholders of CS Container
"Shenzhen Agency Sales Agreement"	an agreement entered into between CS Container HK, COSCO Container and Pan Asia Shipping on 11 December 2015 in relation to the sales of 100% equity interests in CS Container Agency SZ and Universal Logistic by CS Container HK to COSCO Container and Pan Asia Shipping
"Shipping-related and Other Financial Service Business"	target entities under the Shipping-related and Other Financial Service Business Acquisition Agreements
"Shipping-related and Other Financial Service Business Acquisition Agreements"	(1) the CS Financial Assets Acquisition Agreement; (2) the CS Leasing Acquisition Agreement; (3) the CS Investment Acquisition Agreement; and (4) the CS Finance Equity Acquisition Agreement
"SHSE"	Shanghai Stock Exchange
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of CS Container
"SZSE"	Shenzhen Stock Exchange
"Target Entities"	Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance, Long Honour and CBHB

"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, a height of eight feet and six inches and a width of eight feet
"Universal Logistics"	Universal Logistics (Shenzhen) Co., Ltd. (深圳中海五洲物流有限公司), a company incorporated in PRC and a wholly-owned subsidiary of CS Container HK
"Universal Shipping"	Universal Shipping (Asia) Company Limited (五洲航運有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CS Container HK
"Universal Shipping Sales Agreement"	an agreement entered into between CS Container HK and Pan Asia Shipping on 11 December 2015 in relation to the sale of entire equity interests in Universal Shipping to Pan Asia Shipping from CS Container HK
"USA"	United States of America, its territory, its possessions, and all areas subject to its jurisdiction
"US$"	US$, the lawful currency of USA

Legal Address in the PRC	Room A-538, International Trade Center China (Shanghai) Pilot Free Trade Zone Shanghai The PRC
Principal Place of Business in the PRC	628 Minsheng Road Pudong New Area Shanghai The PRC
Principal Place of Business in Hong Kong	31/F, Tower 2, Kowloon Commerce Centre 51 Kwai Cheong Road Kwai Chung New Territories Hong Kong
Joint Company Secretaries	Mr. Yu Zhen Ms. Ng Sau Mei
Investment Strategy Committee	Mr. Zhang Guofa *(Committee Chairman)* Mr. Huang Xiaowen Mr. Yu Zenggang Mr. Zhao Hongzhou Ms. Zhang Nan Ms. Hai Chi Yuet Mr. Shi Xin
Audit Committee	Mr. Guan Yimin *(Committee Chairman)* Ms. Zhang Nan Mr. Yang Jigui
Nomination Committee	Ms. Zhang Nan *(Committee Chairman)* Mr. Zhang Guofa Mr. Yu Zenggang Ms. Hai Chi Yuet Mr. Shi Xin
Remuneration Committee	Mr. Shi Xin *(Committee Chairman)* Mr. Yu Zenggang Ms. Hai Chi Yuet
Authorized Representatives	Mr. Huang Xiaowen Mr. Yu Zhen

Principal Banks	Bank of China Shanghai Branch Bank of China Tower 23 Zhongshandongyi Road Huangpu District Shanghai, PRC
	Industrial and Commerce Bank of China Waitan Branch 11 Zhongshan Dong Er Road Huangpu District Shanghai, PRC
	Citibank Shanghai Branch Citigroup Tower 33 Hua Yuan Shi Qiao Road Lu Jia Zui Finance and Trade Area Shanghai, PRC
	China Merchants Bank New Waitan Branch 908 Dongdaming Road Hongkou District Shanghai, PRC
	Shanghai Pudong Development Bank Lujiazui Branch 710 Dongfang Road Tang Chen Finance Center Pudong New Area Shanghai, PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	http://www.cscl.com.cn/

A. DIRECTORS

Position	Name
Executive Directors	Mr. Zhang Guofa (*Chairman*) (張國發) Mr. Huang Xiaowen (黃小文) Mr. Zhao Hongzhou (趙宏舟)
Non-executive Directors	Mr. Ding Nong (丁農) Mr. Yu Zenggang (俞曾港) Mr. Yang Jigui (楊吉貴) Mr. Han Jun (韓駿) Mr. Chen Jihong (陳紀鴻)
Independent Non-executive Directors	Ms. Zhang Nan (張楠) Mr. Guan Yimin (管一民) Mr. Shi Xin (施欣) Ms. Hai Chi Yuet (奚治月) Mr. Graeme Jack

B. SUPERVISORS

Position	Name
Supervisors	Mr. Xu Wenrong *(Chairman)* (徐文榮) Mr. Ye Hongjun (葉紅軍) Mr. Shen Kangchen (沈康辰) Mr. Shen Zhongying (沈重英) Mr. Zhu Donglin (朱冬林) Mr. Zhong Lu (鐘路)

C. PARTIES INVOLVED IN THE PROPOSED TRANSACTIONS

Financial Adviser to CS Container	China International Capital Corporation Hong Kong Securities Limited
Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee	Somerley Capital Limited
PRC Valuer	China Tong Cheng Assets Appraisal Co., Ltd.
Hong Kong Legal adviser to CS Container	Freshfields Bruckhaus Deringer
PRC Legal adviser to CS Container	Grandall Law Firm (Shanghai)
Auditors of the Company and reporting accountants as to the financial information of Dong Fang International, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment and CS Finance and the unaudited pro forma financial information of the Enlarged Group	Ernst & Young
Reporting accountants as to the financial information of Florens and Long Honour	PricewaterhouseCoopers
Reporting accountants as to the financial information of COSCO Finance	Baker Tilly Hong Kong Limited

中海集裝箱運輸股份有限公司

China Shipping Container Lines Company Limited *

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 02866)

Executive Directors:
Mr. Zhang Guofa *(Chairman)*
Mr. Huang Xiaowen
Mr. Zhao Hongzhou

Non-executive Directors:
Mr. Ding Nong
Mr. Yu Zenggang
Mr. Yang Jigui
Mr. Han Jun
Mr. Chen Jihong

Independent non-executive Directors:
Ms. Zhang Nan
Mr. Guan Yimin
Mr. Shi Xin
Ms. Hai Chi Yuet
Mr. Graeme Jack

Legal address in the PRC:
Room A-538,
International Trade Center
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC

Principal place of business in the PRC:
628 Minsheng Road
Pudong New Area
Shanghai
The PRC

Principal place of business in Hong Kong:
31/F, Tower 2, Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

31 December 2015

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED AND VERY SUBSTANTIAL ACQUISITIONS:
ACQUISITION OF EQUITY INTERESTS IN RELATION WITH
(a) CONTAINER LEASING BUSINESS;
(b) SHIPPING-RELATED FINANCIAL SERVICE BUSINESS; AND
(c) MINORITY FINANCIAL INTERESTS
(2) CONNECTED AND MAJOR TRANSACTIONS:
DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES AND
ASSOCIATE COMPANIES
(3) CONTINUING CONNECTED TRANSACTION:
LEASE OF VESSELS AND CONTAINERS
AND
(4) MAJOR AND CONTINUING CONNECTED TRANSACTION:
PROVISION OF FINANCIAL SERVICES TO CS GROUP**

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "China Shipping Container Lines Company Limited".*

I. INTRODUCTION

We refer to the the announcement of the Company dated 11 December 2015, pursuant to which, as part of the Restructuring, CS Container or its relevant subsidiaries entered into a series of agreements with CS Company, COSCO Company, China COSCO, COSCO Pacific or their relevant subsidiaries on the same day, whereby CS Container (by itself or through its relevant subsidiaries) has agreed to:

(1) acquire the Financial Equity comprising equity interests in certain companies operating container leasing business, shipping-related financial service business and other financial business from CS Company, COSCO Company or COSCO Pacific or their relevant subsidiaries pursuant to the Equity Acquisition Agreements;

(2) sell the Sales Equity comprising equity interests in certain subsidiaries and associates companies of CS Container operating ports business, offshore container shipping agency business and onshore container shipping agency business, to China COSCO, COSCO Pacific, COSCO Company or CS Company or their relevant subsidiaries pursuant to the Equity Sales Agreements;

(3) charter and lease the Leased Assets comprising vessels and containers of CS Container to China COSCO and/or its subsidiaries and associate companies, pursuant to the Assets Lease Framework Agreement; and

(4) upon completion of the transactions under the Restructuring, provide certain financial services to CS Group and/or its associates, pursuant to the Financial Services Provision Framework Agreement, as continuing connected transactions of CS Container.

The purpose of this circular is to provide you with, among other things:

(1) further information as is necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM relating to:

   (a) the connected and very substantial acquisition with respect to the Equity Acquisition Agreements and the transactions contemplated thereunder;

   (b) the connected and major transactions with respect to the Equity Sales Agreements and the transactions contemplated thereunder;

   (c) the continuing connected transactions with respect to the Assets Lease Framework Agreement and the transactions and annual caps contemplated thereunder; and

   (d) the major and continuing connected transactions with respect to the Financial Services Provision Framework Agreement and the transactions and annual caps contemplated thereunder;

(2) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions and the proposed annual caps (where applicable) contemplated under the Equity Acquisition Agreements, Equity Sales Agreements, Assets Lease Framework Agreement and Financial Services Provision Framework Agreement; and

(3) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the transactions and the proposed annual caps (where applicable) contemplated under the Equity Acquisition Agreements, Equity Sales Agreements, Assets Lease Framework Agreement and Financial Services Provision Framework Agreement.

II. EQUITY ACQUISITION AGREEMENTS

On 11 December 2015, CS Container or its relevant subsidiaries entered into a series of agreements in relation to the acquisition of equity interests in certain companies operating in container leasing business, shipping-related financial service business and other financial industries, namely (1) the Container Leasing Business Acquisition Agreements; (2) the Shipping-related and Other Financial Service Business Acquisition Agreements and (3) the Minority Financial Interests Acquisition Agreements. Details of such agreements are set out below.

1. Container Leasing Business Acquisition Agreements

On 11 December 2015, CS Container HK, a subsidiary of CS Container, entered into a series of agreements in relation to the acquisition of equity interests in certain companies involving in container leasing business, namely (1) Dong Fang International Acquisition Agreement; and (2) Florens Acquisition Agreement. Details of such agreements are set out below.

A. Dong Fang International Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Purchaser), a wholly-owned subsidiary of CS Container; and

(2) CS Hong Kong (as the Vendor), a wholly-owned subsidiary of CS Company, the controlling shareholder of CS Container.

Subject Matter: CS Container HK has agreed to purchase and CS Hong Kong has agreed to sell the entire equity interests in Dong Fang International, whose specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entity
Dong Fang International	100%	BVI	Container Leasing Business

Consideration: The total consideration for the acquisition of the entire equity interests in Dong Fang International shall be RMB2,969.2275 million.

Such consideration was determined after arm's length negotiations between CS Container HK and CS Hong Kong with reference to (amongst others) the valuation of the entire equity interests in Dong Fang International at an amount of RMB2,969.2275 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the market approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review and the consideration may be adjusted based on the results of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the Dong Fang International Acquisition Agreement, CS Container HK will pay the consideration with equivalent US$ amount within 180 days upon all conditions precedent to the Dong Fang International Acquisition Agreement being met in such manners satisfactory to both parties and the exchange rate shall be determined based on the median exchange rate announced by PBOC on the Reference Date. CS Container HK will pay the consideration by applying its existing cash, bank loans and other resources.

Adjustment of Consideration: If CS Hong Kong procures Dong Fang International to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the Dong Fang International Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in Dong Fang International will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the entire equity interests in Dong Fang International is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of Dong Fang International having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of Dong Fang International since the Reference Date, save as disclosed to CS Container HK by CS Hong Kong before the signing of the Dong Fang International Acquisition Agreement;

(d) no breach of terms of the Dong Fang International Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container HK and CS Hong Kong respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container HK and CS Hong Kong shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container HK did not expect to waive any condition precedent under the Dong Fang International Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transactions under the Dong Fang International Acquisition Agreement is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Dong Fang International Acquisition Agreement and relevant share certificates will be delivered on or before the Acquisition Delivery Date.

After the completion, Dong Fang International will become a wholly-owned subsidiary of CS Container HK with its financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: Both parties have agreed that they will procure the satisfaction of all the conditions precedent of the Dong Fang International Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the Dong Fang International Acquisition Agreement, CS Hong Kong shall be entitled to any gains, losses or changes in the entire equity interests in Dong Fang International during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container HK and CS Hong Kong.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

B. Florens Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Purchaser), a wholly-owned subsidiary of CS Container; and

(2) COSCO Pacific (as the Vendor).

Subject Matter: CS Container HK has agreed to purchase and COSCO Pacific has agreed to sell the entire equity interests in Florens, whose specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entity
Florens	100%	BVI	Container Leasing Business

Consideration: The initial price for the acquisition of the entire equity interests in Florens shall be (i) an amount equal to RMB7,784.4833 million minus (ii) the RMB equivalent of an amount equal to the pre-closing dividend that COSCO Pacific may procure Florens to declare and pay of an amount no greater than the amount of the distributable profits of Florens as at the Reference Date.

Such consideration was determined after arm's length negotiations between CS Container HK and COSCO Pacific with reference to (amongst others) the valuation of the entire equity interests in Florens at an amount of RMB7,784.4833 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the market approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the Florens Acquisition Agreement, CS Container HK will pay the initial price on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Florens Acquisition Agreement. CS Container HK will pay the consideration by applying its existing cash, bank loans and other resources.

Assignment of Loans: In addition to the consideration for the acquisition of the entire equity interests in Florens, CS Container HK has also agreed to pay an amount equal to US$285,000,000 to COSCO Pacific upon completion of the transaction contemplated under the Florens Acquisition Agreement to take the assignment Acquisition Delivery Date for the purchase of loans of an outstanding amount of US$285,000,000 advanced by COSCO Pacific to Florens.

Conditions Precedent: Completion of the acquisition of the entire equity interests in Florens is conditional upon the following conditions:

(a) resolutions of the shareholders of COSCO Pacific, China COSCO and CS Container shall have been passed approving the transaction contemplated under the Florens Acquisition Agreement, respectively;

(b) all necessary third party consents and approvals from the regulatory authorities in respect of COSCO Pacific, China COSCO, CS Container and CS Container HK in relation to the transaction contemplated under the Florens Acquisition Agreement shall have been granted, and such consents and regulatory approvals shall not have been revoked;

(c) the representations and warranties given by COSCO Pacific and CS Container HK, respectively, remaining true and accurate;

(d) approval from the Anti-Monopoly Bureau of the MOFCOM in respect of CS Container and CS Container HK shall have been obtained;

(e) COSCO Pacific shall have performed or complied with, in all material respects, the relevant pre-closing undertakings and obligations;

(f) consents of, and notifications to, third parties required for the transaction contemplated under the Florens Acquisition Agreement shall have been obtained and made by Florens and its subsidiaries; and

(g) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under the Restructuring (other than the transaction contemplated under the Florens Acquisition Agreement) shall have been obtained in accordance with its terms.

CS Container HK and COSCO Pacific shall be entitled to waive any of their respective conditions precedent to completion, either in whole or in part, by written notice to each other. As at the Latest Practicable Date, CS Container HK did not expect to waive any condition precedent under the Florens Acquisition Agreement and none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transaction under the Florens Acquisition Agreement is expected to be on the 30th business day after the first business day on which all conditions precedent have been fulfilled or waived in accordance with the Florens Acquisition Agreement.

Following completion of the transaction under the Florens Acquisition Agreement, Florens will become a wholly-owned subsidiary of CS Container HK with its financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: Both parties have agreed that they will use all reasonable efforts to procure satisfaction of the relevant conditions precedent of the Florens Acquisition Agreement before the Long Stop Date (or such later date as the parties may agree in writing).

Other Major Terms: According to the Florens Acquisition Agreement, COSCO Pacific shall be entitled to the profit and loss of Florens as presented by the difference between the net asset value of Florens as at the Reference Date and the Closing Audit Date (based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

2. Shipping-related and Other Financial Service Business Acquisition Agreements

On 11 December 2015, CS Container or its certain subsidiaries entered into a series of agreements in relation to the acquisition of equity interests in certain companies involving in shipping-related and other financial service business, namely (1) CS Financial Assets Acquisition Agreement; (2) CS Leasing Acquisition Agreement; (3) CS Investment Acquisition Agreement and (4) CS Finance Equity Acquisition Agreement. Details of such agreements are set out below.

A. CS Financial Assets Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Purchaser), a wholly-owned subsidiary of CS Container; and

(2) CS Hong Kong (as the Vendor), a wholly-owned subsidiary of CS Company, the controlling shareholder of CS Container.

Subject Matter: CS Container HK has agreed to purchase and CS Hong Kong has agreed to sell the entire equity interests in each of Helen Insurance and CS Nauticgreen, its specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entities
CS Nauticgreen	100%	Hong Kong	Shipping-related Financial Service Business
Helen Insurance	100%	Hong Kong	Shipping-related Financial Service Business

Consideration: The total consideration for the acquisition of the entire equity interests in Helen Insurance and CS Nauticgreen shall be RMB1,699.6956 million.

Such consideration was determined after arm's length negotiations between CS Container HK and CS Hong Kong with reference to (amongst others) the valuation of the entire equity interests in Helen Insurance and CS Nauticgreen at an amount of RMB181.2257 million and RMB1,518.4699 million respectively or RMB1,699.6877 million in aggregate at the Reference Date.

The valuation reports of Helen Insurance and CS Nauticgreen were prepared by the PRC Valuer based on the market approach and the asset-based approach respectively as the fundamental valuation approach, among which for Helen Insurance, income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations, for CS Nauticgreen, income approach was used as a supplement to the fundamental approach adopted. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

All these valuations have been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Financial Assets Acquisition Agreement, CS Container HK will pay the consideration with equivalent US$ amount and the exchange rate shall be determined based on the median exchange rate announced by PBOC on the Reference Date within 180 days upon all conditions precedent to the CS Financial Assets Acquisition Agreement being met in such manners satisfactory to both parties and CS Container HK will pay the consideration by applying its existing cash, bank loans and other resources.

Adjustment of Consideration: If CS Hong Kong procures CS Nauticgreen and Helen Insurance to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CS Financial Assets Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in Helen Insurance and CS Nauticgreen will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the entire equity interests in each of Helen Insurance and CS Nauticgreen is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of Helen Insurance and CS Nauticgreen having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of Helen Insurance and CS Nauticgreen since the Reference Date, save as disclosed to CS Container HK by CS Hong Kong before the signing of the CS Financial Assets Acquisition Agreement;

(d) no breach of terms of the CS Financial Assets Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container HK and CS Hong Kong respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container HK and CS Hong Kong shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container HK did not expect to waive any condition precedent under the CS Financial Assets Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transactions under the CS Financial Assets Acquisition Agreement is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the CS Financial Assets Acquisition Agreement and relevant share certificates will be delivered on or before the Acquisition Delivery Date.

After the completion, Helen Insurance and CS Nauticgreen will become wholly-owned subsidiaries of CS Container HK with their respective financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: Both parties have agreed that they will procure the satisfaction of all the conditions precedent of the CS Financial Assets Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by both parties).

Other Major Terms: According to the CS Financial Assets Acquisition Agreement, CS Hong Kong shall be entitled to any gains, losses or changes in the entire equity interests in Helen Insurance and CS Nauticgreen during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container HK and CS Hong Kong.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

B. CS Leasing Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Purchaser); and

(2) CS Company (as the Vendor), the controlling shareholder of CS Container.

Subject Matter: CS Container has agreed to purchase and CS Company has agreed to sell the entire equity interests in CS Leasing, whose specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entity
CS Leasing	100%	PRC	Shipping-related financial service business

Consideration: The total consideration for the acquisition of the entire equity interests in CS Leasing shall be RMB1,995.6070 million.

Such consideration was determined after arm's length negotiations between CS Container and CS Company with reference to (amongst others) the valuation of the entire equity interests in CS Leasing at an amount of RMB1,995.6070 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the market approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Leasing Acquisition Agreement, CS Container will pay the consideration within 180 days upon all conditions precedent to the CS Leasing Acquisition Agreement being met in such manners satisfactory to both parties and CS Container will pay the consideration by applying its existing cash, bank loans and other resources.

Adjustment of Consideration: If CS Company procures CS Leasing to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CS Leasing Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in CS Leasing will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the entire equity interests in CS Leasing is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of all parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CS Leasing having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CS Leasing since the Reference Date, save as disclosed to CS Container by CS Company before the signing of the CS Leasing Acquisition Agreement;

(d) no breach of the terms of the CS Leasing Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container and CS Company respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container and CS Company shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Leasing Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transaction under the CS Leasing Acquisition Agreement is expected to be on the settlement day of all outstanding consideration to be paid by CS Container and the relevant registration procedures will be completed on or before the Acquisition Delivery Date.

After the completion, CS Leasing will become a wholly-owned subsidiary of CS Container with its financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: Both parties have agreed that they will use their best endeavor to procure the satisfaction of all the conditions precedent of the CS Leasing Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by both parties).

Other Major Terms: According to the CS Leasing Acquisition Agreement, CS Company shall be entitled to any gains, losses or changes in the entire equity interests in CS Leasing during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and CS Company.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

C. CS Investment Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Purchaser);

(2) CS Company (as the Vendor), the controlling shareholder of CS Container;

(3) CS Shanghai (as the Vendor), a wholly-owned subsidiary of CS Company; and

(4) CS Guangzhou (as the Vendor), a wholly-owned subsidiary of CS Company.

Subject Matter: CS Container has agreed to purchase and CS Company, CS Shanghai and CS Guangzhou have agreed to collectively sell the entire equity interests in CS Investment, whose specific information is set out below:

Name of the vendors	Shareholding percentage in CS Investment to be sold to CS Container
CS Company	89.79%
CS Shanghai	2.26%
CS Guangzhou	7.95%

CS Investment is a company incorporated in the PRC with its principal business engaged in (1) container manufacturing; and (2) financial investment in certain financial institutions, ports and shipping logistic companies.

Consideration: The total consideration for the acquisition of the entire equity interests in CS Investment shall be RMB3,458.4549 million.

Such consideration was determined after arm's length negotiations between CS Container and CS Company, CS Shanghai and CS Guangzhou with reference to (amongst others) the valuation of RMB3,458.4549 million in aggregate at the Reference Date. The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Investment Acquisition Agreement, CS Container will pay the consideration within 180 days upon all conditions precedent to the CS Investment Acquisition Agreement being met in such manners satisfactory to all parties and CS Container will pay the consideration by applying its existing cash, bank loans and other resources.

Adjustment of Consideration: If CS Company, CS Shanghai, CS Guangzhou procure CS Investment to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CS Investment Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in CS Investment will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the entire equity interests in CS Investment is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CS Investment having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CS Investment since the Reference Date, save as disclosed to CS Container by CS Company, CS Shanghai and CS Guangzhou before the signing of the CS Investment Acquisition Agreement;

(d) no breach of the terms of the CS Investment Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container, CS Company, CS Shanghai and CS Guangzhou respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container, CS Company, CS Shanghai and CS Guangzhou shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent among each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Investment Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transaction under the CS Investment Acquisition Agreement is expected to be on the settlement day of all outstanding consideration to be paid by CS Container and the relevant registration procedures will be completed on or before the Acquisition Delivery Date.

After the completion, CS Investment will become a wholly-owned subsidiary of CS Container with its financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: All parties have agreed that they will use their best endeavor to procure the satisfaction of all the conditions precedent of the CS Investment Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the CS Investment Acquisition Agreement, the existing shareholders of CS Investment shall be entitled to any gains, losses or changes in the entire equity interests in CS Investment during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and the existing shareholders of CS Investment.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

D. CS Finance Equity Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Purchaser);

(2) CS Company (as the Vendor), the controlling shareholder of CS Container; and

(3) CS Guangzhou (as the Vendor), a wholly-owned subsidiary of CS Company.

Subject Matter: CS Container has agreed to purchase and CS Company and CS Guangzhou have collectively agreed to sell the CS Finance Equity, whose specific information is set out below:

Name of the vendors	Shareholding percentage in CS Finance to be sold to CS Container
CS Company	20%
CS Guangzhou	20%

CS Finance is a company incorporated in the PRC with its principal business engaged in deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement and liquidation.

Consideration: The total consideration for the acquisition of the CS Finance Equity shall be RMB510.9866 million.

Such consideration was determined after arm's length negotiations between CS Container and CS Company and CS Guangzhou with reference to (amongst others) the valuation of the CS Finance Equity at an amount of RMB510.9866 million at the Reference Date. The valuation report was prepared by the PRC Valuer based on the market approach.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Finance Equity Acquisition Agreement, CS Container will pay the consideration within 180 days upon all conditions precedent to the CS Finance Equity Acquisition Agreement being met in such manners satisfactory to all parties and CS Container will pay the consideration by applying its existing cash resources.

Adjustment of Consideration: If CS Company, CS Guangzhou procures CS Finance to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CS Finance Equity Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the CS Finance Equity will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the CS Finance Equity is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of all parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CS Finance having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CS Finance since the Reference Date, save as disclosed to CS Container by CS Company and CS Guangzhou before the signing of the CS Finance Equity Acquisition Agreement;

(d) no breach of the terms of the CS Finance Equity Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container, CS Company and CS Guangzhou respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container, CS Company and CS Guangzhou shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent among each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Finance Equity Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transaction under the CS Finance Equity Acquisition Agreement is expected to be on the settlement day of all outstanding consideration to be paid by CS Container and the relevant registration procedures will be completed on or before the Acquisition Delivery Date.

After the completion, CS Finance will become a non-wholly-owned subsidiary of CS Container with its financial results to be consolidated in the financial statements of the Enlarged Group.

Long Stop Date: All parties have agreed that they will use their best endeavor to procure the satisfaction of all the conditions precedent of the CS Finance Equity Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the CS Finance Equity Acquisition Agreement, CS Company and CS Guangzhou respectively shall be entitled to any gains, losses or changes in the CS Finance Equity during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and CS Company and CS Guangzhou respectively.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

3. Minority Financial Interests Acquisition Agreements

On 11 December 2015, CS Container or its certain subsidiaries entered into a series of agreements in relation to the acquisition of equity interests in certain companies involving in other financial services business, namely (1) COSCO Finance Capital Increase Agreement; (2) Long Honour Acquisition Agreement; and (3) CBHB Equity Acquisition Agreement. Details of such agreements are set out below.

A. COSCO Finance Capital Increase Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container;

(2) COSCO Company;

(3) COSCO Container;

(4) COSCO Bulk Carrier Co., Ltd;

(5) Qingdao Ocean Shipping Co., Ltd.;

(6) COSCO Shipping Co., Ltd.;

(7) Guangzhou Ocean Shipping Co., Ltd.;

(8) Dalian Ocean Shipping Co., Ltd.;

(9) Xiamen Ocean Shipping Co., Ltd.;

(10) COSCO International Freight Co., Ltd.;

(11) China Ocean Shipping Agency Co., Ltd.;

(12) China Ocean Shipping Tally Company;

(13) COSCO Shipbuilding Industry Company;

(14) COSCO Shipyard Group Co., Ltd.; and

(15) China Marine Bunker (Petro China) Co., Ltd.

Consideration: All parties to the COSCO Finance Capital Increase Agreement have agreed to the Capital Increase to be made by CS Container with an amount of RMB614.2674 million, among which around RMB340 million will be contributed to the registered capital of COSCO Finance and the remaining shall be used as capital reserve for the future development of business of COSCO Finance.

Such capital contribution was determined after arm's length negotiations between CS Container and the COSCO Finance Shareholders with reference to (amongst others) the valuation of the entire equity interests of COSCO Finance at an amount of RMB2,890.6703 million at the Reference Date. The valuation report was prepared by the PRC Valuer based on the market approach.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the COSCO Finance Capital Increase Agreement, CS Container will pay the amount of capital contribution within 180 days upon all conditions precedent to the COSCO Finance Capital Increase Agreement being met in such manners satisfactory to all parties and CS Container will pay the consideration by applying its existing cash resources.

Conditions Precedent: Completion of the acquisition of the Capital Increase is conditional upon the following conditions:

(a) the Capital Increase and the new articles of association having been approved at the general meeting of COSCO Finance;

(b) all necessary contracts, agreement and relevant documents having been obtained in relation with the execution of the COSCO Finance Capital Increase Agreement among all parties and all necessary government approvals having been obtained in relation with the Capital Increase, including but not limited to the approval from CBRC or its subordinate bodies;

(c) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects;

(d) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(e) CS Container having completed due diligence review on COSCO Finance, and is satisfied with the results of such reviews.

CS Container and the COSCO Finance Shareholders shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent among each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the COSCO Finance Capital Increase Agreement and none of the conditions precedent contemplated thereunder has been fulfilled.

Shareholding Structure after the Capital Increase

Set out below is the shareholding structure of COSCO Finance before and after completion of the Capital Increase pursuant to the terms of the COSCO Finance Capital Increase Agreement:

Shareholders of COSCO Finance	Contribution to the registered capital of COSCO Finance before completion of the Capital Increase	Shareholding percentage of each shareholder in COSCO Finance before completion of to the Capital Increase	Contribution to the registered capital of COSCO Finance after completion of the Capital Increase	Shareholding percentage of each shareholder in COSCO Finance after completion of the Capital Increase
COSCO Company	690,000,000.00	43.13%	690,000,000.00	35.57%
COSCO Container	196,000,000.00	12.25%	196,000,000.00	10.10%
COSCO Bulk Carrier Co., Ltd.	160,000,000.00	10.00%	160,000,000.00	8.25%
Qingdao Ocean Shipping Co., Ltd.	64,000,000.00	4.00%	64,000,000.00	3.30%
COSCO Shipping Co., Ltd.	80,000,000.00	5.00%	80,000,000.00	4.12%
Guangzhou Ocean Shipping Co., Ltd.	88,000,000.00	5.50%	88,000,000.00	4.54%
Dalian Ocean Shipping Co., Ltd.	48,000,000.00	3.00%	48,000,000.00	2.47%
Xiamen Ocean Shipping Co., Ltd.	8,000,000.00	0.50%	8,000,000.00	0.41%
COSCO International Freight Co., Ltd.	80,000,000.00	5.00%	80,000,000.00	4.12%
China Ocean Shipping Agency Co., Ltd.	112,000,000.00	7.00%	112,000,000.00	5.77%
China Ocean Shipping Tally Company	8,000,000.00	0.50%	8,000,000.00	0.41%
COSCO Shipbuilding Industry Company	30,000,000.00	1.88%	30,000,000.00	1.55%
COSCO Shipyard Group Co., Ltd.	20,000,000.00	1.25%	20,000,000.00	1.03%
China Marine Bunker (Petro China) Co., Ltd.	16,000,000.00	1.00%	16,000,000.00	0.82%
CS Container	–	–	340,000,000.00	17.53%
TOTAL	1,600,000,000.00	100%	1,940,000,000.00	100%

Completion: Completion of the transaction under the COSCO Finance Capital Increase Agreement is expected to be on the settlement day of all outstanding consideration to be paid by CS Container.

After the completion of the Capital Increase, CS Container will hold 17.53% equity interests in COSCO Finance, thus COSCO Finance's financial results will be consolidated in the financial statements of the Enlarged Group under equity method.

Long Stop Date: All parties have agreed that they will use their best endeavor to procure the satisfaction of all the conditions precedent of the COSCO Finance Capital Increase Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the COSCO Finance Capital Increase Agreement, the COSCO Finance Shareholders respectively shall be entitled to any gains, losses or changes in the COSCO Finance during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments payable by CS Container or COSCO Finance Shareholders to COSCO Finance with 30 days after the completion of closing audit as stated below.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

B. Long Honour Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Purchaser); and

(2) COSCO HK (as the Vendor).

Subject Matter: CS Container HK has agreed to purchase and COSCO HK has agreed to sell the entire equity interests in Long Honour, whose specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entity
Long Honour	100%	BVI	Minority financial investments

Long Honour is a company incorporated in the British Virgin Islands with its principal business engaged in investment holding and its principal asset is CIMC Equity.

Consideration: The total consideration for the acquisition of the entire equity interests in Long Honour shall be RMB2,770.9726 million.

Such consideration was determined after arm's length negotiations between CS Container HK and COSCO HK with reference to (amongst others) the valuation of RMB2,770.9726 million at 31 October 2015. The valuation report was prepared by the PRC Valuer based on the asset-based approach.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the Long Honour Acquisition Agreement, CS Container HK will pay the consideration with equivalent US$ amount within 180 days upon all conditions precedent to the Long Honour Acquisition Agreement being met in such manners satisfactory to both parties and the exchange rate shall be determined based on the median exchange rate announced by PBOC on 31 October 2015. CS Container HK will pay the consideration by applying its existing cash, bank loans and other resources.

Adjustment of Consideration: If COSCO HK procures Long Honour to declare or pay a dividend in respect of the undistributed profits as at 31 October 2015 between the date of the Long Honour Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in Long Honour will be reduced by the same amount accordingly.

Assignment of Debt: In addition to the consideration for the acquisition of the entire equity interests in Long Honour, CS Container HK has also agreed to pay an equivalent of amount in HK$ to COSCO HK on the Acquisition Delivery Date for the purchase of (1) all the outstanding debts of Long Honour to COSCO HK at an amount of RMB7,412.5594 million as determined in the financial account of Long Honour as at 31 October 2015 and (2) additional loan(s) to COSCO HK with a total amount of no more than HK$877,543,120.24 for the subscription of new H shares placed by CIMC after the date of this agreement and prior to the completion of the acquisition of the entire equity interests in Long Honour. The exchange rate shall be determined based on the median exchange rate announced by PBOC on 31 October 2015.

Upon the completion of the purchase of debts and loans as stated above, COSCO HK will issue a written notice to Long Honour stating that all outstanding debts of Long Honour to COSCO HK will be assigned to CS Container HK.

Conditions Precedent: Completion of the acquisition of the entire equity interests in Long Honour is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed;

(b) all approvals from the decision-making bodies of Long Honour and letter of renunciation issued by the other shareholder of Long Honour in relation to the pre-emptive right having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of Long Honour since 31 October 2015, save as disclosed to CS Container HK by COSCO HK before the signing of the Long Honour Acquisition Agreement;

(d) no breach of terms of the Long Honour Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container HK and COSCO HK respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container HK and COSCO HK shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container HK did not expect to waive any condition precedent under the Long Honour Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transactions under the Long Honour Acquisition Agreement is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Long Honour Acquisition Agreement and relevant share certificates will be delivered on or before the Acquisition Delivery Date.

After the completion, Long Honour will become a wholly-owned subsidiary of CS Container HK with its financial results to be consolidated in the financial statements of the Enlarged Group and the CIMC Equity in the Enlarged Group's financial statement will be accounted for using the equity method.

Long Stop Date: Both parties have agreed that they will use their best endeavor to procure the satisfaction of all the conditions precedent of the Long Honour Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the Long Honour Acquisition Agreement, COSCO HK shall be entitled to any gains, losses or changes in the entire equity interests in Long Honour during the period from 31 October 2015 to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container HK and COSCO HK.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion or as otherwise determined by the parties according to the disclosed financial report or management accounts of Long Honour prepared for the relevant period. If such period can not be determined, the nearest accounting period which covering such period will be used and the specific amount will be calculated on a pro rata basis.

C. CBHB Equity Acquisition Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Purchaser); and

(2) COSCO Company (as the Vendor).

Subject Matter: CS Container has agreed to purchase and COSCO Company has agreed to sell the CBHB Equity, whose specific information is set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entity
CBHB	13.67%	PRC	Minority financial investments

CBHB is a company incorporated in the PRC with its principal business engaged in banking industry in the PRC.

Consideration: The total consideration for the acquisition of the CBHB Equity shall be RMB5,448.0480 million.

Such consideration was determined after arm's length negotiations between CS Container and COSCO Company with reference to (amongst others) the valuation of the CBHB Equity at an amount of RMB5,448.0480 million at the Reference Date. The valuation report was prepared by the PRC Valuer based on the market approach.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CBHB Equity Acquisition Agreement, CS Container will pay the consideration within 180 days upon all conditions precedent to the CBHB Equity Acquisition Agreement being met in such manners satisfactory to all parties and CS Container will pay the consideration by applying its existing cash.

Adjustment of Consideration: If COSCO Company procures CBHB to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CBHB Equity Acquisition Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the CBHB Equity will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the acquisition of the CBHB Equity is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of CS Container and COSCO Company under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CBHB having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CBHB since the Reference Date, save as disclosed to CS Container by COSCO Company before the signing of the CBHB Equity Acquisition Agreement;

(d) all necessary contracts, agreement and relevant documents having been obtained in relation with the execution of the CBHB Equity Acquisition Agreement among both parties and all necessary government approvals having been obtained in relation with the acquisition of the CBHB Equity, including but not limited to the approval from CBRC or its subordinate bodies;

(e) no breach of the terms of the CBHB Equity Acquisition Agreement having occurred, and the declarations, representations and warranties given by CS Container and COSCO Company respectively as set out therein remaining effective;

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(g) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container and COSCO Company shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CBHB Equity Acquisition Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Completion: Completion of the transaction under the CBHB Equity Acquisition Agreement is expected to be on the settlement day of all outstanding consideration to be paid by CS Container and the relevant registration procedures will be completed on or before the Acquisition Delivery Date.

After the completion, the CBHB Equity will be held by CS Container or a wholly-owned subsidiary designated by CS Container, thus its financial results will be consolidated in the financial statements of the Enlarged Group under equity method.

Long Stop Date: Both parties have agreed that they will use their best endeavour to procure the satisfaction of all the conditions precedent of the CBHB Equity Acquisition Agreement before the Long Stop Date (or such longer period mutually agreed by all parties).

Other Major Terms: According to the CBHB Equity Acquisition Agreement, COSCO Company shall be entitled to any gains, losses or changes in the CBHB Equity during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and COSCO Company.

The specific amount of gains, losses or changes in the CBHB Equity shall be determined by way of a special closing audit as agreed between both parties after 60 days of the Acquisition Delivery Date or as otherwise determined by the parties according to the disclosed financial report or management accounts of CBHB prepared for the relevant period. If such period can not be determined, the nearest accounting period which covering such period will be used and the specific amount will be calculated on a pro rata basis.

4. Reasons for and Benefits of the Equity Acquisition Agreements

The transactions under the Equity Acquisition Agreements will strengthen CS Container's ability to counter the business cycle of the conventional shipping business by providing CS Container with the ability to better shield the effects of the business cycle of the conventional shipping business through the expansion of its chartering business, container leasing business and shipping related financial services, which is expected to strengthen the stability of the financial condition of CS Container and create growth engines for the benefit of CS Container and its shareholders.

The transactions under the Equity Acquisition Agreements will provide synergy among the business segments of CS Container and among CS Container and other members of CS Group and COSCO Group. CS Container will be able to provide a full range of shipping services ranging from container shipping, leasing to related financial services, which is expected to generate a great amount of synergy among the business segments through comprehensive services, cross-selling and increased loyalty of the customers. Additionally, the expanded business of CS Container can better interact with the business of other members of CS Group and COSCO Group through the integration of financial services and the industrial segments.

The transactions under the Equity Acquisition Agreements will facilitate intra-group business integration by optimising strategy management and control, achieving synergy among different business segments, and improving overall operating efficiency of CS Container.

As such, the Directors consider that the Equity Acquisition Agreements are entered into on normal commercial terms, which are fair and reasonable and are in the interest of CS Container and its Shareholders as a whole.

5. Financial Effects of the Acquisition of the Financial Equity and the Disposal of the Sales Equity

Following the completion of the acquisition of the Financial Equity and the disposal of the Sales Equity, for those target entities becoming subsidiaries of CS Container under the Proposed Transaction, their financial information will be consolidated into the consolidated financial statements of CS Container; and for those target entities becoming equity investments of CS Container under the Proposed Transaction, their financial positions will be incorporated to the consolidated financial statements of CS Container as well. The unaudited pro forma consolidated balance sheet of the Enlarged Group (assuming the acquisitions and disposals under the Proposed Transactions were completed on 30 June 2015) and the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement (assuming the acquisitions and disposals under the Proposed Transactions were completed on 1 January 2014) have been prepared on the bases set out on page III-1 to this circular.

The consideration for the acquisition of the Financial Equity and the disposal of the Sales Equity under the unaudited pro forma consolidated balance sheet was determined with reference to the carrying amount of the net assets of the target entities of the Financial Equity as at 30 September 2015 and the net assets of the subject entities of the Sales Equity as at 30 June 2015, excluding taking into consolidation of the effects arising from the transactional costs and actual consideration thereunder. It is assumed that the acquisition and disposal as mentioned above were completed before 1 January 2014 under the unaudited pro forma consolidated income statement, and the going concern basis is based on the structure following the Completion.

The effects brought about by transformation of business focus of CS Container after signing the Assets Lease Framework Agreement with China COSCO (from liner trade to the charter and lease of vessels and containers) to the operating income and net profits under the unaudited pro forma consolidated balance sheet, income statement and statement of cash flow were not taken into consideration. In addition, neither the transactional costs and intermediary costs under the acquisition and disposal as mentioned above or the financial costs required for the fundraising were taken into consideration either.

Based on the annual report of the Group for the year ended 31 December 2014, as at 31 December 2014, the Group had total assets, total liabilities and net assets of approximately RMB53,541,151,000, RMB28,663,668,000 and RMB24,877,483,000 respectively and was in a net current asset position. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group (assuming the acquisitions and disposals under the Proposed Transactions were completed on 30 June 2015) as set out in Appendix III to this circular, the Enlarged Group would have an increase in total assets from approximately RMB54,111,562,000 to approximately RMB107,369,644,000, an increase in total liabilities from approximately RMB29,216,442,000 to approximately RMB82,874,443,000, a decrease in net assets from approximately RMB24,895,120,000 to approximately RMB24,522,201,000. The Enlarged Group will continue to be in a net current liability position.

The Group recorded an audited consolidated profit attributable to Shareholders of approximately RMB1,027,451,000 for the year ended 31 December 2014. Based on the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group set out in Appendix III to this circular (assuming the acquisitions and disposals under the Proposed Transactions were completed on 1 January 2014) the unaudited pro forma consolidated profit attributable to shareholders of the Enlarged Group would be increased from approximately RMB1,027,451,000 to a profit of approximately RMB2,876,620,000 for the year ended 31 December 2014. For further details, please refer to Appendix III to this circular.

For details of the unaudited pro forma financial information on the Enlarged Group and its basis of preparation, please refer to Appendix III to this circular.

6. Information on the Target Entities

(1) Dong Fang International

Dong Fang International is a company incorporated in the British Virgin Islands and its principal business is in container leasing, trading and management services. As at the Latest Practicable Date, the original acquisition cost for CS Hong Kong in respect of the entire equity interest in Dong Fang International was US$100,000,000, representing the capital contribution for Dong Fang International's entire equity interest made by it.

Based on audited the consolidated financial statements of Dong Fang International for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of Dong Fang International as at 31 December 2014 were US$410,957,000. The audited consolidated net profits (before and after tax) of Dong Fang International for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013	**Financial year ended 31 December 2014**
	US$	*US$*
Consolidated profit before tax	58,564,000	44,141,000
Consolidated profit after tax	57,318,000	42,858,000

(2) Florens

Florens is a company incorporated in the British Virgin Islands and Florens and its subsidiaries are principally engaged in container leasing, management and sales, finance leasing and their related business. As at the Latest Practicable Date, the original acquisition cost for COSCO Pacific in respect of the entire equity interest in Florens was US$22,014, representing the capital contribution for Florens' entire equity interest made by it.

Based on the consolidated financial information of Florens for the year ended 31 December 2014 prepared in accordance with the HKFRS as set out in Appendix I-B of this circular, the consolidated net assets of Florens as at 31 December 2014 were US$1,100,921,000. The consolidated profits before and after tax of Florens for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *US$*	**Financial year ended 31 December 2014** *US$*
Consolidated profit before tax	130,189,000	100,414,000
Consolidated profit after tax	127,061,000	97,675,000

(3) CS Nauticgreen

CS Nauticgreen is a company incorporated in Hong Kong and its principal business is in ship holding and management, financing and leasing services. As at the Latest Practicable Date, the original acquisition cost for CS Hong Kong in respect of the entire equity interest in CS Nauticgreen was HK$1,760,255,000, representing the capital contribution for CS Nauticgreen's entire equity interest made by it.

Based on the audited consolidated financial statements of CS Nauticgreen for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of CS Nauticgreen as at 31 December 2014 were US$226,269,000. The audited consolidated net profits (before and after tax) of CS Nauticgreen for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *US$*	**Financial year ended 31 December 2014** *US$*
Consolidated profit before tax	62,669,000	not applicable
Consolidated profit after tax	61,516,000	not applicable

(4) Helen Insurance

Helen Insurance is a company incorporated in Hong Kong and its principal business is in marine insurance brokerage. As at the Latest Practicable Date, the original acquisition cost for CS Hong Kong in respect of the entire equity interests in Helen Insurance was US$3,000,000, representing the capital contribution for Helen Insurance's entire equity interests made by it.

Based on the audited financial statements of Helen Insurance for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Helen Insurance as at 31 December 2014 were HK$29,153,299. The audited net profits (before and after tax) of Helen Insurance for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *HK$*	**Financial year ended 31 December 2014** *HK$*
Profit before tax	18,301,596	20,731,263
Profit after tax	15,387,297	17,310,813

(5) CS Leasing

CS Leasing is a company incorporated in the PRC and its principal business is in finance leasing and leasing, purchasing leasing assets from vendors abroad, salvage value disposal and maintenance of the leasing assets, lease transaction consultation and guarantee. As at the Latest Practicable Date, the original acquisition cost for CS Company in respect of the entire equity interests in CS Leasing was RMB0.5 billion, representing the capital contribution for CS Leasing's entire equity interests made by it.

Based on the audited consolidated financial statements of CS Leasing for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of CS Leasing as at 31 December 2014 were RMB511,108,000. The audited consolidated net profits (before and after tax) of CS Leasing for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	3,460,000	11,373,000
Consolidated profit after tax	2,595,000	8,513,000

(6) CS Investment

CS Investment is a company incorporated in the PRC and its principal business is in investment holding. As at the Latest Practicable Date, the original acquisition cost for CS Company, CS Shanghai and CS Guangzhou in respect of the entire equity interests in CS Investment was RMB2.713 billion, representing the capital contribution for CS Investment's entire equity interests made by them.

Based on the audited consolidated financial statements of CS Investment for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of CS Investment as at 31 December 2014 were RMB3,724,195,000. The audited consolidated net profits (before and after tax) of CS Investment for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	117,335,000	398,876,000
Consolidated profit after tax	103,278,000	319,362,000

(7) CS Finance

CS Finance is a company incorporated in the PRC with limited liability and its principal business is in deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement and liquidation. As at the Latest Practicable Date, the original acquisition cost for CS Hong Kong in respect of the CS Finance Equity was RMB0.24 billion, representing the capital contribution for the CS Finance Equity made by CS Company and CS Guangzhou.

Based on the audited financial statements of CS Finance for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of CS Finance as at 31 December 2014 were RMB1,082,124,000. The audited net profits (before and after tax) of CS Finance for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	220,949,000	284,003,000
Profit after tax	165,604,000	212,942,000

(8) COSCO Finance

COSCO Finance is a company incorporated in the PRC with limited liability and its principal business is in deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement and liquidation. As at the Latest Practicable Date, the original acquisition cost for COSCO Finance Shareholders in respect of the entire equity interests in COSCO Finance was RMB1.6 billion, representing the capital contribution for COSCO Finance's entire equity interests made by them.

Based on the audited consolidated financial statements of COSCO Finance for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of COSCO Finance as at 31 December 2014 were RMB2,900,867,000. The audited consolidated net profits (before and after tax) of COSCO Finance for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	410,000,000	1,148,330,000
Consolidated profit after tax	307,795,000	868,577,000

(9) Long Honour

Long Honour is a company incorporated in the British Virgin Islands with limited liability with its principal business in investment holding. The original acquisition cost for COSCO HK in respect of the entire equity interests in Long Honour was US$6,507,000, representing the capital contribution for Long Honour's entire equity interests made by it.

Based on the audited consolidated financial statements of Long Honour for the year ended 31 December 2014 prepared in accordance with HKFRS, the consolidated net assets of Long Honour as at 31 December 2014 were US$142,803,000. The audited consolidated profits before and after tax of Long Honour for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with HKFRS are set out below:

	Financial year ended 31 December 2013 *US$*	**Financial year ended 31 December 2014** *US$*
Consolidated profit before tax	95,839,000	84,465,000
Consolidated profit after tax	89,706,000	75,058,000

(10) CBHB

CBHB is a joint-stock company incorporated in the PRC and its principal business is in the banking industry. As at the Latest Practicable Date, the original acquisition cost for the COSCO Company in respect of the CBHB Equity was approximately RMB1.16 billion, representing the capital contribution for the CBHB Equity made by it.

Based on the audited consolidated financial statements of CBHB for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the consolidated net assets of CBHB as at 31 December 2014 were RMB29,496,293,000. The audited consolidated net profits (before and after tax) of CBHB for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	5,951,317,000	6,481,334,000
Consolidated profit after tax	4,562,366,000	5,031,271,000

The Director confirms that the differences in the accounting standards between the subject entities under the Equity Acquisition Agreements and the Company do not have a material impact on the financial information of these subject entities stated above. Audited financial figures or financial information of the Target Entities please refer to Appendix I.

III. EQUITY SALES AGREEMENTS

On 11 December 2015, CS Container or its relevant subsidiaries entered into a series of agreements in relation to the sales of equity interests in certain subsidiaries and associates companies, namely (1) the CS Ports Sales Agreement; (2) the Offshore Agency Sales Agreements; and (3) the Onshore Agency Sales Agreements. Details of such agreements are set out below.

1. CS Ports Sales Agreement

Details of the CS Ports Sales Agreement in relation to the sales of entire equity interests in CS Ports are set out below.

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Vendor);

(2) CS Hong Kong (as the Vendor), a wholly-owned subsidiary of the CS Company, the controlling shareholder of CS Container; and

(3) COSCO Pacific (as the Purchaser).

Subject Matter: CS Container and CS Hong Kong have agreed to sell and COSCO Pacific has agreed to acquire the entire equity interests in CS Ports, whose specific information is set out below:

Name of the vendors	Shareholding percentage in CS Ports to be sold to COSCO Pacific
CS Container	49%
CS Hong Kong	51%

CS Ports is a company incorporated in Hong Kong principally engaged in the business of investment in various port and port-related companies.

Consideration: The closing price for the sale of the entire equity interests in CS Ports shall be:

(a) an amount equal to RMB7,632.4553 million;

(b) *minus* the RMB equivalent of an amount equal to the pre-closing dividend that CS Container and CS Hong Kong may procure CS Ports to declare and pay of an amount no greater than the amount of the distributable profits of CS Ports as at the Reference Date;

(c) if the proposed sale of CS Ports' 20% equity interests in Damietta International Ports, S.A.E. (the "**Damietta Sale**") has completed on or prior to the completion of the transaction contemplated under the CS Ports Sales Agreement:

   (i) *minus* an amount equal to RMB216,989,700;

   (ii) *plus* the Renminbi equivalent of an amount equal to the total sale proceeds received by CS Ports in relation to the Damietta Sale less all costs incurred; and

(d) if the Damietta Sale has not completed on or prior to the completion of the transaction contemplated under the CS Ports Sales Agreement:

   (i) *minus* an amount equal to RMB216,989,700.

Such consideration was determined after arm's length negotiations between CS Container, CS Hong Kong and COSCO Pacific with reference to (amongst others) the valuation of RMB7,632.4553 million at the Reference Date. The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach.

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Ports Sales Agreement, COSCO Pacific will pay (i) an amount equal to 51% of the closing price to CS Hong Kong in Hong Kong dollars (by reference to the exchange rate set by the PBOC on the Reference Date) and (ii) at the election of CS Container, an amount equal to 49% of the closing price to CS Container in either Renminbi (at an exchange rate to be confirmed between CS Container and COSCO Pacific) or Hong Kong dollars (by reference to the exchange rate set by the PBOC on the Reference Date) on the 30th business day after the first business day on which all conditions precedent have been fulfilled or waived in accordance with the CS Ports Sales Agreement.

Conditions Precedent: The completion of the sales of the entire equity interests in CS Ports is conditional upon the following conditions:

(a) resolutions of the shareholders of CS Container, CS Hong Kong, COSCO Pacific and China COSCO shall have been passed approving the transaction contemplated under the CS Ports Sales Agreement, respectively;

(b) all necessary third party consents and approvals from the regulatory authorities in respect of CS Container, CS Hong Kong, COSCO Pacific and China COSCO in relation to the transaction contemplated under the CS Ports Sales Agreement shall have been granted, and such consents and regulatory approvals shall not have been revoked;

(c) the representations and warranties given by CS Container, CS Hong Kong and COSCO Pacific, respectively, remaining true and accurate;

(d) approval from the Anti-Monopoly Bureau of the MOFCOM in respect of China COSCO shall have been obtained;

(e) CS Container and CS Hong Kong shall have performed or complied with, in all material respects, the relevant pre-closing undertakings and obligations;

(f) consents of, and notifications to, third parties required for the transaction contemplated under the CS Ports Sales Agreement shall have been obtained and made; and

(g) all regulatory approvals and shareholders' approvals (if any) in respect of the transactions contemplated under the Restructuring (other than the transaction contemplated under the CS Ports Sales Agreement) shall have been obtained in accordance with its terms.

CS Container, CS Hong Kong and COSCO Pacific shall be entitled to waive any of their respective conditions precedent to completion, either in whole or in part, by written notice to each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Ports Sales Agreement and none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: All parties have agreed that they will use all reasonable efforts to procure satisfaction of the relevant conditions precedent of the CS Ports Sales Agreement before the Long Stop Date (or such later date as the parties may agree in writing).

Completion: Completion of the transaction under the CS Ports Acquisition Agreement is expected to be on the 30th business day after the first business day on which all conditions precedent have been fulfilled or waived in accordance with the CS Ports Sales Agreement.

Following completion of the transaction under the CS Ports Sales Agreement, CS Container will no longer hold any interests in CS Ports and CS Ports will cease to be an associate company of CS Container.

Non-Competition: After arm's length negotiation among CS Container, CS Hong Kong and COSCO Pacific, CS Container and CS Hong Kong have agreed that, each of them will not, and undertakes to procure each of their affiliates will not, on or before the second anniversary of completion of the transaction under the CS Ports Sales Agreement, engage in, or be directly or indirectly interested in any entity that engages in, the business of management and operation of terminals or ports. This shall not prohibit CS Container, CS Hong Kong and their respective affiliates from continuing to hold its existing interest in any entity that engages in the business of management and operation of terminal or ports.

After the Completion, CS Container will gradually shift into a comprehensive financial service platform focusing on the shipping industry with leasing business as its core business. Taking into account (i) the current market environment of the port operation business, (ii) the traditional asset-based nature of the port operation business, which deviates from CS Container's strategic positioning in the future, and (iii) the prolonged investment cycle in port-based assets, which may affect the return on investment of CS Container, CS Container has decided to strategically suspend the port operation business for a period of two years after the completion of the transaction under the CS Ports Sales Agreement.

Based on the reasons stated above and the time period of the non-competition undertaking, the Directors consider that CS Container will be able to maintain sufficient flexibility to decide on its business operation in terms of long-term development and therefore such arrangement is fair and reasonable.

Other Major Terms: According to the CS Ports Sales Agreement, CS Container and CS Hong Kong shall be entitled to the profit and loss of CS Ports as presented by the difference between the net asset value of CS Ports as at the Reference Date and the Closing Audit Date (based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion).

2. Offshore Agency Sales Agreements

On 11 December 2015, CS Container or its relevant subsidiaries entered into a series of agreements in relation to the sales of equity interests in certain offshore subsidiaries and associates companies involving in shipping agency or other related business, namely (1) the CS Container Agency HK Sales Agreement; (2) the Universal Shipping Sales Agreement; (3) the Golden Sea Sales Agreement; (4) the CSSP Equity Sales Agreement; and (5) the Golden Sea Equity Sales Agreement. Details of such agreements are set out below.

A. CS Container Agency HK Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Vendor), a wholly owned subsidiary of CS Container; and

(2) COSCO Container HK (as the Purchaser).

Subject Matter: CS Container HK has agreed to sell and COSCO Container HK has agreed to acquire the entire equity interests in CS Container Agency HK, whose specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold held by CS Container	Place of incorporation	Principal business
CS Container Agency HK	100%	Hong Kong	Shipping Agency Services

Consideration: The total consideration in relation to the sales of total equity interests in CS Container Agency HK was RMB35.6706 million.

Such consideration was determined after arm's length negotiations between CS Container HK and COSCO Container HK with reference to (amongst others) the valuation of RMB35.6706 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

Adjustment of Consideration: If CS Container HK procures CS Container Agency HK to declare or pay a dividend in respect of the undistributed profits with an amount no greater than the amount of its retained earnings as at the Reference Date, the total consideration in relation to the sales of the entire equity interests in CS Container Agency HK will be reduced by the same amount accordingly.

Conditions Precedent: The completion of the sales of the entire equity interests in CS Container Agency HK is conditional upon the following conditions:

(a) resolutions of the shareholders of CS Container and China COSCO shall have been passed approving the transaction under the CS Container Agency HK Sales Agreement, respectively;

(b) no material adverse change having occurred to the business, operations, assets and liabilities of CS Container Agency HK since the Reference Date, save as already disclosed by CS Container HK to COSCO Container HK before the signing of the CS Container Agency HK Sales Agreement;

(c) the representations and warranties given by CS Container HK and COSCO Container HK respectively as set out therein remaining true and accurate in material respects;

(d) all necessary filings, approvals and consents having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated or similar event having occurred;

(e) all necessary filings, approvals and consents having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated nor is these occurrence of events of similar effects; and

(f) CS Container HK having performed or complied with, in all material respects, all of its undertakings and obligations required to be performed or complied with prior to completion.

CS Container HK and COSCO Container HK shall be entitled to waive any of their respective conditions precedent to completion, either in whole or in part, by written notice to each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Container Agency HK Sales Agreement and none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use reasonable efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or such later date the parties may agree in writing).

Completion: The completion of sales of the entire equity interests in CS Container Agency HK is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the CS Container Agency HK Sales Agreement.

Following completion of the transactions under the CS Container Agency HK Sales Agreement, CS Container HK will no longer hold any interests in CS Container Agency HK and CS Container Agency HK will cease to be a subsidiary of CS Container.

Other Major Terms: According to the CS Container Agency HK Sales Agreement, CS Container HK shall be entitled to the net profit or net loss of CS Container Agency HK during the period from the Reference Date to Closing Audit Date (both days inclusive) (based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion or as otherwise determined by the parties according to the disclosed financial report or management accounts of CS Container Agency HK).

B. Universal Shipping Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Vendor), a wholly owned subsidiary of CS Container; and

(2) Pan Asia Shipping (as the Purchaser).

Subject Matter: CS Container HK has agreed to sell and Pan Asia Shipping has agreed to acquire the entire equity interests in Universal Shipping, whose specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold held by CS Container	Place of incorporation	Principal business
Universal Shipping	100%	Hong Kong	Feeder Container Shipping Business

Consideration: The total consideration in relation to the sales of total equity interests in Universal Shipping was RMB124.2913 million.

Such consideration was determined after arm's length negotiations between CS Container HK and Pan Asia Shipping with reference to (amongst others) the valuation of RMB124.2913 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

Adjustment of Consideration: If CS Container HK procures Universal Shipping to declare or pay a dividend in respect of the undistributed profits with an amount no greater than the amount of its retained earnings as at the Reference Date, the total consideration in relation to the sales of the entire equity interests in Universal Shipping will be reduced by the same amount accordingly.

Conditions Precedent: The completion of the sales of the entire equity interests in Universal Shipping is conditional upon the following conditions:

(a) resolutions of the shareholders of CS Container and China COSCO shall have been passed approving the transaction under the Universal Shipping Sales Agreement, respectively;

(b) no material adverse change having occurred to the business, operations, assets and liabilities of Universal Shipping since the Reference Date, save as already disclosed by CS Container HK to Pan Asia Shipping before the signing of the Universal Shipping Sales Agreement;

(c) the representations and warranties given by CS Container HK and Pan Asia Shipping respectively as set out therein remaining true and accurate in material respects;

(d) all necessary filings, approvals and consents having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated or similar event having occurred;

(e) all necessary filings, approvals and consents having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated or similar event having occurred; and

(f) CS Container HK having performed or complied with, in all material respects, all of its undertakings and obligations required to be performed or complied with prior to completion.

CS Container HK and Pan Asia Shipping shall be entitled to waive any of their respective conditions precedent to completion, either in whole or in part, by written notice to each other. As at the Latest Practicable Date, CS Container HK did not expect to waive any condition precedent under the Universal Shipping Sales Agreement. Save for the Condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use reasonable efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or such later date the parties may agree in writing).

Completion: The completion of sales of the entire equity interests in Universal Shipping is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Universal Shipping Sales Agreement.

Following completion of the transactions under the Universal Shipping Sales Agreement, CS Container HK will no longer hold any interests in Universal Shipping and Universal Shipping will cease to be a subsidiary of CS Container.

Other Major Terms: According to the Universal Shipping Sales Agreement, CS Container shall be entitled to the net profit or net loss of Universal Shipping during the period from the Reference Date to Closing Audit Date (both days inclusive) (based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion or as otherwise determined by the parties according to the disclosed financial report or management accounts of Universal Shipping) multiplied by 51%.

C. Golden Sea Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Vendor); and

(2) COSCO Container (as the Purchaser).

Subject Matter: CS Container has agreed to sell and COSCO Container has agreed to acquire the 51% equity interests Golden Sea. The specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold held by CS Container	Place of incorporation	Principal business
Golden Sea	51%	Singapore	Feeder Container Shipping Business

Consideration: The total consideration in relation to the sales of 51% equity interests in Golden Sea was RMB71.0360 million.

Such consideration was determined after arm's length negotiations between CS Container and COSCO Container with reference to (amongst others) the valuation of 51% equity interests in Golden Sea at an amount of RMB71.0360 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

Adjustment of Consideration: If CS Container procures Golden Sea to declare or pay a dividend in respect of the undistributed profits with an amount no greater than the amount of its retained earnings as at the Reference Date, the total consideration in relation to the sales of the 51% equity interests in Golden Sea will be reduced by the same amount accordingly.

Conditions Precedent: The completion of the sales of the 51% equity interests in Golden Sea is conditional upon the following conditions:

(a) resolutions of the shareholders of CS Container and China COSCO shall have been passed approving the transaction under the Golden Sea Sales Agreement, respectively;

(b) no material adverse change having occurred to the business, operations, assets and liabilities of Golden Sea since the Reference Date, save as disclosed by CS Container to COSCO Container before the signing of the Golden Sea Sales Agreement;

(c) the representations and warranties given by CS Container and COSCO Container respectively as set out therein remaining true and accurate in material respects;

(d) all necessary filings, approvals and consents having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated or similar event having occurred;

(e) all necessary filings, approvals and consents in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated or similar event having occurred; and

(f) CS Container having performed or complied with, in all material respects, all of its undertakings and obligations required to be performed or complied with prior to completion.

CS Container and COSCO Container shall be entitled to waive any of their respective conditions precedent to completion, either in whole or in part, by written notice to each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the Golden Sea Sales Agreement and none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use reasonable efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

Completion: The completion of sales of the 51% equity interests in Golden Sea is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Golden See Sales Agreement.

Following completion of the transactions under the Golden Sea Sales Agreement and Golden Sea Equity Sales Agreement, CS Container will no longer hold any interests in it and Golden Sea will cease to be a subsidiary of CS Container.

Other Major Terms: According to the Golden Sea Sales Agreement, CS Container shall be entitled to the net profit or net loss of Golden Sea during the period from the Reference Date to Closing Audit Date (both days inclusive) (based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion or as otherwise determined by the parties according to the disclosed financial report or management accounts of Golden Sea).

D. CSSP Equity Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Vendor); and

(2) CS Regional (as the Purchaser), a wholly-owned subsidiary of CS Company, the controlling shareholder of CS Container.

Subject Matter: CS Container HK has agreed to sell and CS Regional has agreed to acquire the CSSP Equity, whose specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold by CS Container	Place of incorporation	Principal business
CSSP	91%	Singapore	Petroleum Procurement

Consideration: The total consideration in relation to the sales of the CSSP Equity was RMB30.6975 million.

Such consideration was determined after arm's length negotiations between CS Container HK and CS Regional with reference to (amongst others) the valuation of RMB30.6975 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CSSP Equity Sales Agreement, CS Regional will pay the consideration with equivalent US$ amount within 180 days upon all conditions precedent to the CSSP Equity Sales Agreement being met in such manners satisfactory to both parties and the exchange rate shall be determined based on the median exchange rate announced by PBOC on the Reference Date.

Adjustment of Consideration: If CS Container HK procures CSSP to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CSSP Equity Sales Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the CSSP Equity will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the sales of the CSSP Equity is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CSSP having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CSSP since the Reference Date, save as disclosed by CS Container HK to CS Regional before the signing of the CSSP Equity Sales Agreement;

(d) no breach of the terms of the CSSP Equity Sales Agreement having occurred, and the declarations, representations and warranties given by CS Container HK and CS Regional respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container HK and CS Regional shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CSSP Equity Sales Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

Completion: Completion of the transactions under the CSSP Equity Sales Agreement is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the CSSP Equity Sales Agreement and relevant share certificates will be delivered on or before the Sales Delivery Date.

Following completion of the sales of the CSSP Equity, CS Container HK will no longer hold any interests in it and CSSP will cease to be a subsidiary of CS Container.

Other Major Terms: According to the CSSP Equity Sales Agreement, CS Container HK shall be entitled to any gains, losses or changes in the CSSP Equity during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container HK and CS Regional.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

E. Golden Sea Equity Sales Agreement

Principal Terms

Date of Agreements: 11 December 2015

Parties:

(1) CS Container (as the Vendor); and

(2) CS Regional (as the Purchaser), a wholly-owned subsidiary of CS Company, the controlling shareholder of CS Container.

Subject Matter: CS Container has agreed to sell and CS Regional has agreed to acquire the Golden Sea Equity and its specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold by CS Container	Place of incorporation	Principal business
Golden Sea	9%	Singapore	Feeder Container Shipping Business

Consideration: The total consideration in relation to the sales of the Golden Sea Equity was RMB12.5358 million.

Such consideration was determined after arm's length negotiations between CS Container and CS Regional with reference to (amongst others) the valuation of the Golden Sea Equity at an amount of RMB12.5358 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority for its review, and the consideration may be adjusted based on the result of such review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the Golden Sea Equity Sales Agreement, CS Regional will pay the consideration with equivalent US$ amount within 30 business days upon all conditions precedent to the Golden Sea Equity Sales Agreement being met in such manners satisfactory to both parties and the exchange rate shall be determined based on the median exchange rate announced by PBOC on the Reference Date.

Adjustment of Consideration: If CS Container procures Golden Sea to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the Golden Sea Equity Sales Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the Golden Sea Equity will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the sales of the Golden Sea Equity is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of Golden Sea having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of Golden Sea since the Reference Date, save as disclosed by CS Container to CS Regional before the signing of the Golden Sea Equity Sales Agreement;

(d) no breach of the terms of the Golden Sea Equity Sales Agreement having occurred, and the declarations, representations and warranties given by CS Container and CS Regional respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container and CS Regional shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the Golden Sea Equity Sales Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

Completion: Completion of the transactions under the Golden Sea Equity Acquisition Agreement is expected to be on the 30th business day after the date on which all conditions precedent have been fulfilled or waived in accordance with the Golden Sea Equity Acquisition Agreement and relevant share certificates will be delivered on or before the Acquisition Delivery Date.

Following completion of the transactions under the Golden Sea Equity Sales Agreement and Golden Sea Equity Sales Agreement, CS Container will no longer hold any interests in it and Golden Sea will cease to be a subsidiary of CS Container.

Other Major Terms: According to the Golden Sea Equity Sales Agreement, CS Container shall be entitled to any gains, losses or changes in the Golden Sea Equity during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and CS Regional.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

3. Onshore Agency Sales Agreements

On 11 December 2015, CS Container or its relevant subsidiaries entered into a series of agreements in relation to the sales of equity interests in certain onshore subsidiaries and associates companies involving in shipping agency or other related business, namely (1) the CS Onshore Agency Sales Agreement and (2) the Shenzhen Agency Sales Agreement. Details of such agreements are set out below.

A. CS Onshore Agency Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties: (1) CS Container (as the Vendor); and

(2) China COSCO (as the Purchaser).

Subject Matter: CS Container has agreed to sell and China COSCO has agreed to acquire the Onshore Agencies and Other Related Business, which involves the following assets:

No.	Name of the target	Direct or indirect shareholding percentage of CS Container	Place of incorporation	Principal business
(1)	China Shipping Container Lines Dalian Co., Ltd. (中海集裝箱運輸大連有限公司)	100%	PRC	Shipping Agency Services
(2)	China Shipping Container Lines Tianjin Company Limited (中海集裝箱運輸天津有限公司)	100%	PRC	Shipping Agency Services
(3)	China Shipping Container Lines Qingdao Company Limited (中海集裝箱運輸青島有限公司)	100%	PRC	Shipping Agency Services
(4)	China Shipping Container Lines Shanghai Co., Ltd. (中海集裝箱運輸上海有限公司)	100%	PRC	Shipping Agency Services
(5)	China Shipping Container Lines Xiamen Co., Ltd. (中海集裝箱運輸廈門有限公司)	100%	PRC	Shipping Agency Services
(6)	China Shipping Container Lines Guangzhou Co., Ltd. (中海集裝箱運輸廣州有限公司)	100%	PRC	Shipping Agency Services
(7)	China Shipping Container Lines Shenzhen Co., Ltd. (中海集裝箱運輸深圳有限公司)	100%	PRC	Shipping Agency Services

No.	Name of the target	Direct or indirect shareholding percentage of CS Container	Place of incorporation	Principal business
(8)	China Shipping Container Lines Hainan Company Limited (中海集裝箱運輸海南有限公司)	100%	PRC	Shipping Agency Services
(9)	China Shipping Container Lines (Dalian) Data Processing Co., Ltd. (中海集運(大連)信息處理有限公司)	100%	PRC	Information Services
(10)	Shanghai Puhai Shipping Liners Co., Ltd. (上海浦海航運有限公司)	98.2%	PRC	Shipping Business
(11)	China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. (中海(洋浦)冷藏儲運有限公司)	100%	PRC	Transportation Business
(12)	Dalian Vanguard International Logistics Co., Ltd. (大連萬捷國際物流有限公司)	50%	PRC	Logistics Services
(13)	Jinzhou Port Container and Railway Logistics Limited* (錦州港集鐵物流有限公司)	45%	PRC	Logistics Services
(14)	Angang Vehicle Transportation Co., Ltd. (鞍鋼汽車運輸有限責任公司)	20.07%	PRC	Transportation Business
(15)	China Shipping Container Lines Yinkou Company Limited (中海集裝箱運輸營口有限公司)	10%	PRC	Shipping Agency Services
(16)	China Shipping Container Lines Qinhuangdao Company Limited (中海集裝箱運輸秦皇島有限公司)	10%	PRC	Shipping Agency Services
(17)	China Shipping Container Lines Lianyungang Company Limited (連雲港中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(18)	China Shipping Container Lines Longkou Company Limited (龍口中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(19)	China Shipping Container Lines Zhejiang Company Limited (中海集裝箱運輸浙江有限公司)	45%	PRC	Shipping Agency Services
(20)	China Shipping Container Lines Jiangsu Company Limited (江蘇中海集裝箱運輸有限公司)	45%	PRC	Shipping Agency Services

No.	Name of the target	Direct or indirect shareholding percentage of CS Container	Place of incorporation	Principal business
(21)	China Shipping Container Lines Quanzhou Company Limited (泉州中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(22)	China Shipping Container Lines Fuzhou Company Limited (福州中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(23)	China Shipping Container Lines Shantou City Company Limited (汕頭市中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(24)	China Shipping Container Lines Zhongshan Company Limited (中山中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(25)	China Shipping Container Lines Fangchenggang Company Limited (防城港中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(26)	China Shipping Container Lines Zhanjiang Company Limited (湛江中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(27)	China Shipping Container Lines Jiangmen Company Limited (江門中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services
(28)	China Shipping Container Lines Dongguan City Company Limited (東莞市中海集裝箱運輸有限公司)	10%	PRC	Shipping Agency Services

Consideration: The total consideration for the Onshore Agencies and Other Related Business is RMB885.6734 million.

Such consideration was determined after arm's length negotiations between CS Container and China COSCO with reference to (amongst others) the valuation of RMB885.6734 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

Such valuation has been filed with competent authority and is under the internal review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the CS Onshore Agency Sales Agreement, China COSCO will pay the consideration within 30 business days upon all conditions precedent to the CS Onshore Agency Sales Agreement being met in such manners satisfactory to both parties.

Adjustment of Consideration: If CS Container procures subject entities to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the CS Onshore Agency Sales Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the Onshore Agencies and Other Related Business will be reduced by the same amount accordingly.

Conditions Precedent: Completion of the sales of the Onshore Agencies and Other Related Business is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of entities under the Onshore Agencies and Other Related Business and letters of renunciation issued by the other shareholders of these entities (if any) in relation to the pre-emptive right having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of the Onshore Agencies and Other Related Business since the Reference Date, save as disclosed by CS Container to China COSCO before the signing of the CS Onshore Agency Sales Agreement;

(d) no breach of the terms of the CS Onshore Agency Sales Agreement having occurred, and the declarations, representations and warranties given by CS Container and China COSCO respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects;

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(g) the Assets Lease Framework Agreement having been approved at the general meetings of CS Container and China COSCO and become effective.

CS Container and China COSCO shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent between each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the CS Onshore Agency Sales Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: Both parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

Completion: Completion of the transaction under the CS Onshore Agency Sales Agreement is expected to be on the settlement day of all outstanding consideration to be paid by China COSCO and the relevant registration procedures will be completed on or before the Sales Delivery Date.

Following the completion of the transfer of the Onshore Agencies and Other Related Business, CS Container will no longer hold any interests in any entities of the Onshore Agencies And Other Related Business.

Other Major Terms: According to the CS Onshore Agency Sales Agreement, CS Container shall be entitled to any gains, losses or changes in the Onshore Agencies and Other Related Business during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments between CS Container and China COSCO.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion or as otherwise determined by the parties according to the disclosed financial report or management accounts of Onshore Agencies and Other Related Business.

B. Shenzhen Agency Sales Agreement

Principal Terms

Date of Agreement: 11 December 2015

Parties:

(1) CS Container HK (as the Vendor), a wholly owned subsidiary of CS Container;

(2) Pan Asia Shipping (as the Purchaser); and

(3) COSCO Container (as the Purchaser).

Subject Matter:

(1) CS Container HK has agreed to sell and COSCO Container has agreed to acquire the entire equity interests in CS Container Agency SZ; and

(2) CS Container HK has agreed to sell and Pan Asia Shipping has agreed to acquire the entire equity interests in Universal Logistics.

The specific information is set out below:

Name	Direct or indirect shareholding percentage to be sold held by CS Container	Place of incorporation	Principal business
CS Container Agency SZ	100%	PRC	Shipping Agency Services
Universal Logistics	100%	PRC	Shipping Agency Services

Consideration:

(1) The total consideration in relation to the sales of total equity interests in CS Container Agency SZ was RMB15.1741 million.

Such consideration was determined after arm's length negotiations between CS Container HK and COSCO Container with reference to (amongst others) the valuation of RMB15.1741 million at the Reference Date.

(2) The total consideration in relation to the sales of total equity interests in Universal Logistics was RMB9.0516 million.

Such consideration was determined after arm's length negotiations between CS Container HK and Pan Asia Shipping with reference to (amongst others) the valuation of RMB9.0516 million at the Reference Date.

The valuation report was prepared by the PRC Valuer based on the asset-based approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach based valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules. For detailed information, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – II. Waivers in Relation to Profit Forecast of the Valuation of Certain Target Entities of the Equity Acquisition Agreements and the Equity Sales Agreements".

All these valuations have been filed with competent authority and are under the internal review. It is expected that the filing process will be completed before the EGM and the Company will make further announcement once the final consideration is determined.

In accordance with the Shenzhen Agency Sales Agreement, each purchaser will pay the consideration within 30 business days upon all conditions precedent to the Shenzhen Agency Sales Agreement being met in such manners satisfactory to all parties.

Adjustment of Consideration: If CS Container HK procures CS Container Agency SZ and Universal Logistics to declare or pay a dividend in respect of the undistributed profits as at the Reference Date between the date of the Shenzhen Agency Sales Agreement and the consideration payment date as stated above, the total consideration in relation to the sales of the entire equity interests in CS Container Agency SZ and Universal Logistics will be reduced by the same amount accordingly.

Conditions Precedent: The completion of the sales of the entire equity interests in CS Container Agency SZ and Universal Logistics is conditional upon the following conditions:

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of all parties under this agreement and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of CS Container Agency SZ and Universal Logistics having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of CS Container Agency SZ and Universal Logistics since the Reference Date, save as disclosed by CS Container HK to COSCO Container and Pan Asia Shipping before the signing of the Shenzhen Agency Sales Agreement;

(d) no breach of the terms of the Shenzhen Agency Sales Agreement having occurred, and the declarations, representations and warranties given by CS Container HK, COSCO Container and Pan Asia Shipping respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency and commerce authority, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency and commerce authority, having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

CS Container HK, Pan Asia Shipping and COSCO Container shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent among each other. As at the Latest Practicable Date, CS Container did not expect to waive any condition precedent under the Shenzhen Agency Sales Agreement. Save for the condition (b) under the conditions precedent, none of the conditions precedent contemplated thereunder has been fulfilled.

Long Stop Date: All parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

Completion: Completion of the transaction under the Shenzhen Agency Sales Agreement is expected to be on the settlement day of all outstanding consideration to be paid by Pan Asia Shipping and COSCO Container and the relevant registration procedures will be completed on or before the Sales Delivery Date.

Following completion of the transactions under the Shenzhen Agency Sales Agreement, CS Container HK will no longer hold any interests in CS Container Agency SZ and Universal Logistics, and therefore they will cease to be subsidiaries of CS Container.

Other Major Terms: According to the Shenzhen Agency Sales Agreement, CS Container HK shall be entitled to any gains, losses or changes in the entire equity interests in CS Container Agency SZ and Universal Logistics during the period from the Reference Date to Closing Audit Date (both days inclusive). Such gains, losses or changes in the equity interests shall be settled through cash payments among CS Container, COSCO Container and Pan Asia Shipping under this agreement.

The specific amount of gains, losses or changes shall be determined based on the audited accounts as at the Closing Audit Date prepared within 60 business days from the completion.

4. Reasons for and Benefits of the Equity Sales Agreements

According to the Assets Lease Framework Agreement, on the one hand, CS Container will charter and lease its vessels and containers to China COSCO but on the other hand, CS Container will retain its capabilities in crew management, ship management, maintenance, administrative, sales and support which are necessary to the liner services. Therefore, certain subsidiaries and associates companies involving in shipping agency and other related business could not maximize their potential and profitability after the commencement of the transactions under the Assets Lease Framework Agreement and were decided to be disposed to China COSCO together with the chartering of vessels and containers.

Upon the expiry or termination of the Assets Lease Framework Agreement, the Company is entitled to either continue to own and charter its container vessels to China COSCO or other operators or continue to own, charter and/or operate the container vessels. Besides, according to the internal estimation made by CS Container, although there are costs involved in reactivating the liner services should it choose to, it would be commercially feasible to do so considering (i) the returns from the transactions under the Assets Lease Framework Agreement; (ii) the availability of third party services providers (including personnel) in the market; and (iii) the fact that CS Container will retain other liner services capabilities as stated above.

The Directors consider that the transactions under the Equity Sales Agreements are entered into on normal commercial terms, which are fair and reasonable and are in the interest of CS Container and its Shareholders as a whole.

5. Financial Effect of the Sales of the Sales Equity

On 30 September 2015, the carrying amount of the Sales Equity was approximately RMB4,774.2 million in according with PRC GAAP. As such, the gains from sales of the Sales Equity by CS Container or its relevant subsidiaries after deducting relevant taxes were expected to be approximately RMB140.5 million. CS Container will recognise such gains from the sales of the Sales Equity in its consolidated income statement as of the Sales Delivery Date.

The net proceeds from the disposal of the Sales Equity is estimated to be approximately RMB4,825.5 million, among which, approximately 98% will be used to settle the consideration of the acquisition of the Financial Equity, approximately 2% will be used as general operating funds of CS Container.

6. Information on the Targets under the Equity Sales Agreements

A. Target under the CS Ports Sales Agreement

(1) CS Ports:

Based on the audited consolidated financial statements of CS Ports for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of CS Ports as at 31 December 2014 were HK$8,373,095,000.

The audited consolidated net profits (before and after tax) of CS Ports for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *HK$*	**Financial year ended 31 December 2014** *HK$*
Consolidated profit before tax	411,539,000	204,665,000
Consolidated profit after tax	317,008,000	170,606,000

B. Targets under the Offshore Agency Sales Agreements

(1) CS Container Agency HK:

Based on the audited consolidated financial statements of CS Container Agency HK for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of CS Container Agency HK as at 31 December 2014 were RMB29,670,000.

The audited consolidated net profits (before and after tax) of CS Container Agency HK for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	9,487,000	6,439,000
Consolidated profit after tax	9,135,000	4,915,000

(2) Universal Shipping:

Based on the audited consolidated financial statements of Universal Shipping for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of Universal Shipping as at 31 December 2014 were RMB111,185,000.

The audited consolidated net profits (before and after tax) of Universal Shipping for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	20,635,000	12,085,000
Consolidated profit after tax	21,356,000	11,667,000

(3) CSSP:

Based on the audited financial statements of CSSP for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of CSSP as at 31 December 2014 were RMB34,940,616.

The audited net profits (before and after tax) of CSSP for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	4,011,304	2,036,703
Profit after tax	4,011,304	1,778,905

(4) Golden Sea:

Based on the audited financial statements of Golden Sea for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Golden Sea as at 31 December 2014 were RMB109,874,000.

The audited net profits (before and after tax) of Golden Sea for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	17,244,000	32,407,000
Profit after tax	16,180,000	32,295,000

C. Targets under the CS Onshore Agency Sales Agreements

(1) China Shipping Container Lines Dalian Co., Ltd.

Based on the audited consolidated financial statements of China Shipping Container Lines Dalian Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Dalian Co., Ltd. as at 31 December 2014 were RMB39,415,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Dalian Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	15,085,000	18,992,000
Consolidated profit after tax	9,983,000	12,955,000

(2) China Shipping Container Lines Tianjin Company Limited

Based on the audited consolidated financial statements of China Shipping Container Lines Tianjin Company Limited for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Tianjin Company Limited as at 31 December 2014 were RMB33,401,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Tianjin Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	16,012,000	9,465,000
Consolidated profit after tax	11,097,000	6,230,000

(3) China Shipping Container Lines Qingdao Company Limited

Based on the audited consolidated financial statements of China Shipping Container Lines Qingdao Company Limited for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Qingdao Company Limited as at 31 December 2014 were RMB3,679,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Qingdao Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit/(loss) before tax	5,093,000	(10,595,000)
Consolidated profit/(loss) after tax	2,110,000	(13,330,000)

(4) China Shipping Container Lines Shanghai Co., Ltd.

Based on the audited consolidated financial statements of China Shipping Container Lines Shanghai Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Shanghai Co., Ltd. as at 31 December 2014 were RMB173,970,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Shanghai Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	18,212,000	75,598,000
Consolidated profit after tax	13,189,000	54,551,000

(5) China Shipping Container Lines Xiamen Co., Ltd.

Based on the audited consolidated financial statements of China Shipping Container Lines Xiamen Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Xiamen Co., Ltd. as at 31 December 2014 were RMB28,619,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Xiamen Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	4,091,000	4,902,000
Consolidated profit after tax	2,763,000	3,387,000

(6) China Shipping Container Lines Guangzhou Co., Ltd.

Based on the audited consolidated financial statements of China Shipping Container Lines Guangzhou Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Guangzhou Co., Ltd. as at 31 December 2014 were RMB48,467,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Guangzhou Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	14,998,000	14,040,000
Consolidated profit after tax	10,086,000	9,651,000

(7) China Shipping Container Lines Shenzhen Co., Ltd.

Based on the audited consolidated financial statements of China Shipping Container Lines Shenzhen Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping Container Lines Shenzhen Co., Ltd. as at 31 December 2014 were RMB29,182,000.

The audited consolidated net profits (before and after tax) of China Shipping Container Lines Shenzhen Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	3,356,000	7,433,000
Consolidated profit after tax	2,443,000	5,080,000

(8) China Shipping Container Lines Hainan Company Limited

Based on the audited financial statements of China Shipping Container Lines Hainan Company Limited for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of China Shipping Container Lines Hainan Company Limited as at 31 December 2014 were RMB18,812,000.

The audited net profits (before and after tax) of China Shipping Container Lines Hainan Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	3,149,000	3,289,000
Profit after tax	2,146,000	2,000,000

(9) China Shipping Container Lines (Dalian) Data Processing Co., Ltd.

Based on the audited financial statements of China Shipping Container Lines (Dalian) Data Processing Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of China Shipping Container Lines (Dalian) Data Processing Co., Ltd. as at 31 December 2014 were RMB4,814,000.

The audited net profits (before and after tax) of China Shipping Container Lines (Dalian) Data Processing Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	2,192,000	1,072,000
Profit after tax	1,868,000	898,000

(10) Shanghai Puhai Shipping Liners Co., Ltd.

Based on audited the consolidated financial statements of Shanghai Puhai Shipping Liners Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of Shanghai Puhai Shipping Liners Co., Ltd. as at 31 December 2014 were RMB520,075,000.

The audited consolidated net profits (before and after tax) of Shanghai Puhai Shipping Liners Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	13,027,000	2,795,000
Consolidated profit/(loss) after tax	4,031,000	(10,674,000)

(11) China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.

Based on the audited consolidated financial statements of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. as at 31 December 2014 were RMB20,810,000.

The audited consolidated net profits (before and after tax) of China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	3,073,000	3,727,000
Consolidated profit after tax	2,190,000	2,852,000

(12) Dalian Vanguard International Logistics Co., Ltd.

Based on the audited financial statements of Dalian Vanguard International Logistics Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Dalian Vanguard International Logistics Co., Ltd. as at 31 December 2014 were RMB69,741,000.

The audited net profits (before and after tax) of Dalian Vanguard International Logistics Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	113,000	204,000
Profit after tax	113,000	204,000

(13) Jinzhou Port Container and Railway Logistics Limited

Based on the audited financial statements of Jinzhou Port Container and Railway Logistics Limited for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Jinzhou Port Container and Railway Logistics Limited as at 31 December 2014 were RMB9,771,000.

The audited net profits (before and after tax) of Jinzhou Port Container and Railway Logistics Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	132,000	524,000
Profit after tax	74,000	199,000

(14) Angang Vehicle Transportation Co., Ltd.

Based on the audited consolidated financial statements of Angang Vehicle Transportation Co., Ltd. for the year ended 31 December 2014 prepared in accordance with the HKFRS, the consolidated net assets of Angang Vehicle Transportation Co., Ltd. as at 31 December 2014 were RMB366,179,000.

The audited consolidated net profits (before and after tax) of Angang Vehicle Transportation Co., Ltd. for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Consolidated profit before tax	8,563,000	23,670,000
Consolidated profit after tax	3,278,000	16,705,000

(15) China Shipping Container Lines Yinkou Company Limited

Based on the audited financial statements of China Shipping Container Lines Yinkou Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Yinkou Company Limited as at 31 December 2014 were RMB18,517,395.

The audited net profits (before and after tax) of China Shipping Container Lines Yinkou Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	1,068,959	1,352,198
Profit after tax	591,318	475,404

(16) China Shipping Container Lines Qinhuangdao Company Limited

Based on the audited financial statements of China Shipping Container Lines Qinhuangdao Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Qinhuangdao Company Limited as at 31 December 2014 were RMB5,071,395.

The audited net profits (before and after tax) of China Shipping Container Lines Qinhuangdao Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit/(loss) before tax	1,838,237	(19,430)
Profit/(loss) after tax	1,347,717	(35,236)

(17) China Shipping Container Lines Lianyungang Company Limited

Based on the audited financial statements of China Shipping Container Lines Lianyungang Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Lianyungang Company Limited as at 31 December 2014 were RMB-7,751,584.

The audited net profits (before and after tax) of China Shipping Container Lines Lianyungang Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit/(loss) before tax	2,397,342	(17,587,730)
Profit/(loss) after tax	1,539,660	(17,596,298)

(18) China Shipping Container Lines Longkou Company Limited

Based on the audited financial statements of China Shipping Container Lines Longkou Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Longkou Company Limited as at 31 December 2014 were RMB972,842.

The audited net profits (before and after tax) of China Shipping Container Lines Longkou Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	114,854	81,290
Profit after tax	83,148	63,377

(19) China Shipping Container Lines Zhejiang Company Limited

Based on the audited financial statements of China Shipping Container Lines Zhejiang Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Zhejiang Company Limited as at 31 December 2014 were RMB33,753,458.

The audited net profits (before and after tax) of China Shipping Container Lines Zhejiang Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	5,698,492	25,429,032
Profit after tax	4,268,574	18,803,033

(20) China Shipping Container Lines Jiangsu Company Limited

Based on the audited financial statements of China Shipping Container Lines Jiangsu Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Jiangsu Company Limited as at 31 December 2014 were RMB8,466,485.

The audited net profits (before and after tax) of China Shipping Container Lines Jiangsu Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	391,883	441,394
Profit after tax	319,318	245,535

(21) China Shipping Container Lines Quanzhou Company Limited

Based on the audited financial statements of China Shipping Container Lines Quanzhou Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Quanzhou Company Limited as at 31 December 2014 were RMB5,994,274.

The audited net profits (before and after tax) of China Shipping Container Lines Quanzhou Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	112,992	214,427
Profit after tax	42,794	132,881

(22) China Shipping Container Lines Fuzhou Company Limited

Based on the audited financial statements of China Shipping Container Lines Fuzhou Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Fuzhou Company Limited as at 31 December 2014 were RMB5,957,223.

The audited net profits (before and after tax) of China Shipping Container Lines Fuzhou Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	82,549	239,813
Profit after tax	20,893	87,423

(23) China Shipping Container Lines Shantou City Company Limited

Based on the audited financial statements of China Shipping Container Lines Shantou City Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Shantou City Company Limited as at 31 December 2014 were RMB14,715,329.

The audited net profits (before and after tax) of China Shipping Container Lines Shantou City Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	4,501,362	987,655
Profit after tax	3,308,554	697,300

(24) China Shipping Container Lines Zhongshan Company Limited

Based on the audited financial statements of China Shipping Container Lines Zhongshan Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Zhongshan Company Limited as at 31 December 2014 were RMB2,529,248.

The audited net profits (before and after tax) of China Shipping Container Lines Zhongshan Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	98,112	112,378
Profit after tax	85,883	44,200

(25) China Shipping Container Lines Fangchenggang Company Limited

Based on the audited financial statements of China Shipping Container Lines Fangchenggang Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Fangchenggang Company Limited as at 31 December 2014 were RMB11,971,023.

The audited net profits (before and after tax) of China Shipping Container Lines Fangchenggang Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	37,698	29,696
Profit after tax	26,829	20,679

(26) China Shipping Container Lines Zhanjiang Company Limited

Based on the audited financial statements of China Shipping Container Lines Zhanjiang Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Zhanjiang Company Limited as at 31 December 2014 were RMB8,842,493.

The audited net profits (before and after tax) of China Shipping Container Lines Zhanjiang Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	1,219,982	701,602
Profit after tax	890,055	376,161

(27) China Shipping Container Lines Jiangmen Company Limited

Based on the audited financial statements of China Shipping Container Lines Jiangmen Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Jiangmen Company Limited as at 31 December 2014 were RMB2,903,637.

The audited net profits (before and after tax) of China Shipping Container Lines Jiangmen Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	218,697	243,557
Profit after tax	119,798	194,757

(28) China Shipping Container Lines Dongguan City Company Limited

Based on the audited financial statements of China Shipping Container Lines Dongguan City Company Limited for the year ended 31 December 2014 prepared in accordance with the PRC GAAP, the net assets of China Shipping Container Lines Dongguan City Company Limited as at 31 December 2014 were RMB2,743,607.

The audited net profits (before and after tax) of China Shipping Container Lines Dongguan City Company Limited for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the PRC GAAP are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit/(loss) before tax	123,622	(37,495)
Profit/(loss) after tax	105,848	(68,493)

D. Targets under the Shenzhen Agency Sales Agreements

(1) CS Container Agency SZ

Based on the audited financial statements of CS Container Agency SZ for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of CS Container Agency SZ as at 31 December 2014 were RMB14,282,000.

The audited net profits (before and after tax) of CS Container Agency SZ for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	3,716,000	1,506,000
Profit after tax	2,911,000	1,255,000

(2) Universal Logistics

Based on the audited financial statements of Universal Logistics for the year ended 31 December 2014 prepared in accordance with the HKFRS, the net assets of Universal Logistics as at 31 December 2014 were RMB7,601,000.

The audited net profits (before and after tax) of Universal Logistics for the two years ended 31 December 2013 and 31 December 2014 prepared in accordance with the HKFRS are set out below:

	Financial year ended 31 December 2013 *RMB*	**Financial year ended 31 December 2014** *RMB*
Profit before tax	277,000	354,000
Profit after tax	277,000	354,000

The Director confirms that the differences in the accounting standards between the subject entities under the Equity Sales Agreements and the Company do not have a material impact on the financial information of these subject entities stated above.

IV. ASSETS LEASE FRAMEWORK AGREEMENT

A. *Principal Terms*

Date of Agreement: 11 December 2015

Parties:

(1) CS Container (as the Lessor); and

(2) China COSCO (as the Lessee).

Subject Matter: CS Container has agreed to charter and lease (excluding finance leasing) vessels and containers to China COSCO and/or its subsidiaries and associates in accordance with the following principles:

Vessels

(1) self-owned vessels: the charter will be time charter in principle. For vessels with a capacity of more than 8,000 TEU, the charter period shall be a fixed term of five years and an option term of five years subject to negotiation between both parties; for vessels with a capacity of less than 8,000 TEU, the charter period shall be a fixed term of five years;

(2) chartered-in vessels: CS Container shall make efforts to (1) procure an early surrender of the charter and procure the original owners to charter the vessels to China COSCO directly; or (2) obtain the consent of the original owner to sub-charter the vessels to China COSCO, with the new charter agreements or sub-charter agreements on the same terms and conditions as the original charters. For such sub-chartered vessels, upon the expiry of the charters, China COSCO shall return (through CS Container) the vessels to the original owner at the time and location to be determined at the discretion of China COSCO subject to the provisions of relevant charter agreements;

(3) chartered-out vessels: for the chartered-in and then chartered-out vessels, when the chartered-out agreements expire: (1) if the chartered-in agreements of the same vessels expire on the same time, CS Container shall return such vessels to its original owners; (2) if such chartered-in agreement will remain effective, principle (2) above shall apply; for those self-owned vessels, principle (1) above shall apply upon the expiry of the chartered-out agreement; and

(4) self-owned vessels under construction: principle (1) of self-owned vessels shall apply once the construction is completed.

Containers

(1) self-owned containers: the terms of lease shall be determined based on the age of the containers. For containers with an age of less than five years, six to eight years, nine to ten years, more than ten years, the corresponding terms of lease shall be five years, three years, two years and one year; for containers built between 2004 and 2005, the terms of lease shall be subject to further negotiation between both parties;

(2) containers under sale-and-lease back arrangements: CS Container shall endeavour to obtain the consent of the owners to sub-lease the containers to China COSCO, the new terms and conditions of which will be determined upon the expiry of the lease term subject to the discussion between CS Container and the owners of the containers;

(3) containers leased from third parties: CS Container shall endeavour to obtain the consent of the owners to replace the existing lease agreements with new ones entered into directly with China COSCO on terms and conditions substantially the same as the existing agreements.

For the avoidance of doubt, after the completion of the transactions contemplated under the Container Leasing Business Acquisition Agreements, CS Container will conduct container leasing business through Dong Fang International and Florens.

Term: The initial term of the Assets Lease Framework Agreement will expire on 31 December 2025, subject the approval by the shareholders of China COSCO and CS Container on the annual caps of the transaction amounts contemplated under the Assets Lease Framework Agreement every three years.

Given the initial term as determined under the Assets Lease Framework Agreement will exceed three years, pursuant to Rule 14A.52 of the Listing Rules, please refer to section headed "Letter from the Independent Financial Adviser" of this circular for advise from the Independent Financial Adviser in relation to its view on the length of the Assets Lease Framework Agreement.

Subject to the terms and conditions in compliance with those of the Assets Lease Framework Agreement, both parties shall enter into specific vessel and container leasing agreements on or before 14 March 2016.

Pricing: Prices of lease of vessels and containers shall be based on fair market consideration based on arm's length negotiations between the parties. In order to determine fair market consideration, CS Container and China COSCO have jointly appointed an independent shipping consultant, Drewry, to prepare its advice based on the market price of vessels and container leasing for the past three years. The container shipping asset leasing strategy report prepared by Drewry is attached to this circular as Appendix V.

Condition Precedents: The transactions contemplated under the Assets Lease Framework Agreement is conditional upon the following conditions:

(a) all relevant internal approval procedure and information disclosure requirements under the effective articles of association of both parties and applicable listing rules having been obtained in relation with the execution and implementation of the Assets Lease Framework Agreement;

(b) no breach of the terms of the Assets Lease Framework Agreement having occurred, and the declarations, representations and warranties given by CS Container and China COSCO respectively as set out therein remaining effective;

(c) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

(d) all necessary filings, approvals, consents and permits having been obtained in relation with all transactions under the Restructuring involving CS Container Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

Long Stop Date: Both parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled before the Long Stop Date (or any longer period as may be agreed upon by relevant parties).

B. Proposed Annual Caps

Under the Assets Lease Framework Agreement, for each of the three years ending 31 December 2018 the proposed annual caps with respect to vessels chartering and container leasing fees under the Assets Lease Framework Agreement shall not exceed the amounts as follows:

	For the year ending 31 December 2016	**For the year ending 31 December 2017**	**For the year ending 31 December 2018**
	US$ million	*US$ million*	*US$ million*
Vessels Charting	945	1,013	1,107
Container Leasing	170	188	165
Total *(Note)*	1,115	1,201	1,272

Note:

As stated above, the aggregated proposed annual caps comprising chartering and leasing fees charged by CS Container for not only the vessels and containers owned by CS Container but also those vessels and containers charted-in or leased by CS Container within their effective lease periods. The container shipping asset leasing strategy report prepared by Drewry will explain the determination mechanism for the prevailing market price set up for those self-owned vessels and containers only, and for those charted-in or leased vessels and containers, their charged fee shall in general be same as the currently effective charting or leasing agreements.

C. Basis to the Proposed Annual Caps

The proposed annual caps are determined by the Directors with reference to (i) the market vessels chartering standards for other ship chartering business of similar tonnage vessels and similar tenor; (ii) estimated market fluctuation in terms of chartering price and demands; and (iii) prevailing market rate determined by Drewry.

D. Benefits of and reasons for the Assets Lease Framework Agreement

In 2014, the global container transportation market experience drastic fluctuation. On one hand, it was due to the delivery of new vessels which intensified the imbalance between supply and demand; on the other hand, strike in the ports located in west side of U.S., global oil price slump and the recurrence of industry mergers and acquisitions brought various uncertainties to the market as well. In the first half of 2015, the container shipping industry remained sluggish due to the continued imbalance between supply and demand of shipping capacity. In response to an extended downturn in the shipping market, CS Container, based on the varied conditions and utilization of shipping capacity of different shipping routes, proactively adjusted its operating strategies by suspending certain shipping routes with a low capacity utilization rate and leasing such excess capacity to third-party for a stable rental income.

Although China has moved up to the second place in the world in terms of its shipbuilding capability, China's shipping-related financing is still at its early developing stage with huge market development potential. Furthermore, there have been national and local policies in place to support the development of shipping-related financing business. Compared with the container liner business, vessels chartering business is less susceptible to the seasonality and price fluctuations of the global container shipping market. Charter contracts with a relatively longer chartering term, particularly those vessels with a high shipping capacity, can ensure stable cash flows and funds for purchasing vessels in the future.

Given (i) the fleet of vessels and containers owned by CS Container; (ii) the extensive experience accumulated by CS Container in the shipping industry and its understanding of the markets; (iii) the overall layout of CS Company in the shipping industry chain; and (iv) the long-term cooperative relationship established between CS Container and banks and other financial institutions, CS Container will be engaged in the vessels chartering business in a more professional and comprehensive manner, whereby providing customers with one-stop services including ship chartering, container chartering, crew management, vessel management, repair and logistics network.

The Directors consider that the transactions under the Assets Lease Framework Agreement are entered into after arm's length negotiations and based on normal commercial terms, and therefore terms of such transactions and the proposed annual caps are fair and reasonable and represent the interests of CS Container and its shareholders as a whole.

E. Internal Control Procedures Adopted by CS Container

Before entering into any specific agreement under the Assets Lease Framework Agreement, CS Container will implement the following procedures to ensure that the terms offered to China COSCO will be in line with the framework set out in the Assets Lease Framework Agreement:

(i) for self-owned vessels and containers, the executives of relevant business of CS Container will cross-check with the container shipping asset leasing strategy report prepared by Drewry to ensure that the lease rate calculated by Drewry has been adopted in the specific agreements where applicable;

(ii) for chartered-in vessels and containers, the executives of relevant business of CS Container will cross-check with the relevant agreements signed with the original owners to ensure that the terms and conditions in the sub-charter agreements are generally the same as those in the original charter agreements; and

(iii) the supervision department of CS Container will periodically review and inspect the process of the relevant continuing connected transactions.

V. MAJOR AND CONTINUING CONNECTED TRANSACTIONS WITH RESPECT TO PROVISION OF FINANCIAL SERVICES TO CS GROUP

As stated above, the business and subsidiary scope of both the Group and CS Group will be adjusted as a result of the transactions contemplated under the Equity Acquisition Agreements and Equity Sales Agreements. Therefore, on 11 December 2015, CS Container entered into the Financial Services Provision Framework Agreements with CS Company which set out the basis upon which members of the Group (including the subject entities of the Equity Acquisition Agreements) will carry out certain continuing connected transactions with CS Group and/or its associates upon the Completion.

Financial Services Provision Framework Agreement

A. Principal Terms

Date of Agreement:	11 December 2015
Parties:	(1) CS Container; and (2) CS Company, the controlling shareholder of CS Container.
Subject Matter:	the Group may provide certain financial services to CS Group and/or its associates, in particular the Group shall procure CS Finance to provide CS Group and/or its associates with a range of financial services including (i) deposit services; (ii) credit services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by CBRC.
Term:	The initial term of the Financial Services Provision Framework Agreement will expire on 31 December 2016. Upon expiration of the initial term, such agreement shall automatically be extended for additional three years unless one party hereto delivers a notice of termination in writing to the other party hereto at least three months in advance prior to expiration of such term, save for subject to the relevant requirements under the Listing Rules, including the obtaining of independent shareholders' approval, if required.

Pricing:

Deposit Services:

CS Finance shall provide deposit services to CS Group at interest rates not higher, and thus no more favourable, where applicable, than (a) the deposit benchmark interest rate set by the PBOC from time to time for such types of deposits; or (b) the interest rate offered by the major and independent PRC commercial banks in the service place or adjacent areas in the normal course of business for such types of deposits.

Credit Services:

CS Finance shall provide credit services (including, among others, loan, guarantee, bills discounting, bills acceptance and finance leasing services) to CS Group at interest rates not lower, and thus no more favourable, where applicable, than (a) the loan benchmark interest rate set by the PBOC from time to time for such types of loan; and (b) the interest rate or charging rate offered by the major and independent PRC commercial banks in the service place or adjacent areas in the normal course of business for such types of loans.

Settlement Services:

CS Finance shall provide settlement services to CS Group at fee rates not lower, and thus no more favourable, than (a) the lower limit (if applicable) of the fees stipulated by PBOC to be charged for the same type of services; (b) the fees charged by any independent third party for the same type of services; or (c) the fees charged by CS Finance for similar type of services on any independent third party with the same credit rating.

Foreign Exchange Services:

CS Finance shall provide foreign exchange services to CS Group at fee rates not lower, and thus no more favourable, than (a) the lower limit (if applicable) of the fees stipulated by PBOC to be charged for the same type of services; (b) the fees charged by any independent third party for the same type of services; or (c) the fees charged by CS Finance for similar type of services on any independent third party with the same credit rating.

Other Financial Services:

The fees charged by CS Finance Company for the provision of other financial services, namely financial and financing consultation, credit verification and related consultation and agency services and scheme design of settlement and liquidation to members of CS Group in accordance with the provisions set out in the *Measures for the Administration of Finance Companies of Enterprise Groups* promulgated by the CBRC to CS Group shall not be lower, and thus no more favourable, than (a) the lower limit (if applicable) of the fees stipulated by PBOC to be charged for similar type of services; (b) the fees charged by any independent third party for similar type of services on CS Group; or (c) the fees charged by CS Finance for similar type of services on any independent third party with the same credit rating.

Such interest rate and commission fee shall be reviewed and updated by CS Container on an annual basis.

Conditions Precedent: The transactions contemplated under the Financial Services Provision Framework Agreement are conditional upon (1) the completion of the transactions of the Restructuring and (2) the passing of an ordinary resolution by the Independent Shareholders at the EGM.

Individual Agreement: During the term of the Financial Services Provision Framework Agreement, members of CS Container Group and members of CS Group and/or its subsidiaries and associates may enter into individual agreements from time to time in respect of the provision of financial services by the Group provided that the terms of such individual agreements are in compliance with those of the Financial Services Provision Framework Agreement.

B. Historical Figures and Proposed Annual Caps

(a) Deposit services

As the transactions contemplated under the Financial Services Provision Framework Agreement will be effective upon the Completion, which is expected to be occurred before the Long Stop Date, the historical transaction amounts in respect of the provision of deposit services between the Group and CS Group and/or its associates for the three years ended 31 December 2012, 2013 and 2014, and the proposed maximum daily outstanding balance of deposits (including accrued interest and handling fee) in respect of the provision of deposit services by the Group to CS Group and/or its associates for the year ending 31 December 2016 is set out below.

Historical transaction figures (RMB) for the			Annual cap (RMB) for the
Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Year ending 31 December 2016
5,784,453,134	5,228,618,537	6,404,226,992	12,500,000,000

(b) Credit services

As the transactions contemplated under the Financial Services Provision Framework Agreement will be effective upon the Completion, which is expected to be occurred before the Long Stop Date, the historical transaction amounts in respect of the provision of loan service between the Group and CS Group and/or its associates for the three years ended 31 December 2012, 2013 and 2014, and the proposed maximum daily outstanding balance of loans (including accrued interest and handling fee) in respect of the provision of loan service by the Group to CS Group and/or its associates for the year ending 31 December 2016 is set out below:

Historical transaction figures (RMB) for the			Annual cap (RMB) for the
Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**Year ending 31 December 2016**
4,957,595,106	5,293,303,586	3,954,492,084	10,500,000,000

(c) Foreign exchange services

As the transactions contemplated under the Financial Services Provision Framework Agreement will be effective upon the Completion, which is expected to be occurred before the Long Stop Date, the historical transaction amounts in respect of the provision of foreign exchange services between the Group and CS Group and/or its associates for the three years ended 31 December 2012, 2013 and 2014, and the proposed annual cap in respect of the provision of foreign exchange services by the Group to CS Group and/or its associates for the year ending 31 December 2016 is set out below.

Historical transaction figures (RMB) for the			Annual cap (RMB) for the
Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**Year ending 31 December 2016**
293,794,644	1,831,684,583	2,898,272,502	4,500,000,000

C. Basis of the Proposed Annual Caps

The proposed annual caps are determined based on the following factors, including (i) historical transaction amounts between the Group and the CS Group and/or its associates; (ii) expansion of business of CS Finance; and (iii) the expected financing demands of CS Group and/or its associates.

In particular, (1) the significant increase of the proposed annual cap of the credit services as compared with that of its historical amount is primarily due to the increased need of temporary liquidity demands by CS Development Group as a result of a large amount of short term liabilities payable; (2) the significant increase of the proposed annual cap of the foreign exchange services as compared with that of its historical amount is primarily due to the increased need of foreign exchange services to convert revenue denominated in foreign currency by CS Development Group as a result of the expected growth of operations and the expected fleet expansion in the coming years.

For detailed information in relation to the increase of demands by CS Development Group for credit services and foreign exchange services, please refer to the circular dated 12 November 2015 of CS Development published on www.hkexnews.hk.

D. Reasons of and Benefits for the Financial Services Provision Framework Agreement

As a member of both CS Container Group and CS Group, CS Finance is able to provide more efficient deposit, loan and settlement services to the CS Group, as compared to independent third-party banks for the reason that CS Finance is more familiar with CS Group's business and is able to provide funds required by CS Group in a more efficient and timely way.

In the meantime, CS Finance can increase its capital size for the purpose of the development of its financial business and capital operation through absorbing capitals from CS Group and can also increase profits for the Group through providing loan and settlement services to CS Group by means of charging loan interests or other fee income.

As the interest rates and other terms of services contemplated under the Financial Services Provision Framework Agreement available for CS Group provided by CS Finance shall be no more favourable than those offered by other major and independent PRC commercial banks, CS Finance will not provide unfair benefit to CS Group through lower cost of financing and other financial service fees.

The Directors consider that the transactions under the Financial Services Provision Framework Agreement is entered into after arm's length negotiations and based on normal commercial terms, and therefore the terms of such transactions and the proposed annual caps are fair and reasonable and represent the interests of CS Container and its shareholders as a whole.

E. Internal Control Procedures Adopted by CS Container

CS Container will implement the following procedures to ensure the terms offered to the relevant connected parties are no more favourable than those available to other independent third parties:

(i) the executives of relevant business of CS Container will review contemporaneous prices and other relevant terms offered by at least two commercial banks, all being independent third parties, operating at the same or nearby area before the commencement of the relevant transaction, and ensure the terms offered to the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties; and

(ii) the supervision department of CS Container will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that CS Container has established sufficient internal control measures to ensure the pricing basis of the transactions contemplated under the Financial Services Provision Framework Agreement will be on market terms and on normal commercial terms and will be fair and reasonable to CS Container and the Shareholders as a whole.

VI. LISTING RULE IMPLICATIONS

As CS Company is the controlling shareholder of CS Container, CS Company is the connected person of CS Container under Chapter 14A of the Listing Rules. Therefore, transactions entered into between CS Container and CS Company will constitute connected transactions of CS Container. As certain transactions contemplated under the Equity Sales Agreements and Equity Acquisition Agreements are entered into between CS Container and/or its subsidiaries and CS Group and/or its associates, these transactions shall constitute connected transactions of CS Container under Chapter 14A of the Listing Rules.

Given the fact that transactions involved in (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; and (3) the Assets Lease Framework Agreement are inter-conditional and among them certain transactions are connected transactions of CS Container, all transactions contemplated thereunder shall be deemed as continuing connected transactions or connected transactions of CS Container.

1. Connected and Very Substantial Acquisitions with Respect to the Equity Acquisition Agreements

Pursuant to Rule 14.22 of the Listing Rules, transactions under the Equity Acquisition Agreements have been aggregated since the counterparties of relevant transactions may connect with one another, and the targets under the Equity Acquisition Agreements are all related in terms of the assets nature and commercial purposes.

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) of the transactions under the Equity Acquisition Agreements exceeds 5%, the transactions contemplated under the Equity Acquisition Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) of the transactions under the Equity Acquisition Agreements exceeds 100%, the transactions contemplated under the Equity Acquisition Agreements also constitute a very substantial acquisition of CS Container under the requirements of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

2. Connected and Major Transactions with Respect to the Equity Sales Agreements

Pursuant to Rule 14.22 of the Listing Rules, transactions under the Equity Sales Agreements have been aggregated since the counterparties of relevant transactions may connect with one another, and the targets under the Equity Sales Agreements are all related in terms of the assets nature and commercial purposes.

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) of the transactions contemplated under the Equity Sales Agreements exceed 5%, they are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) of the transactions contemplated under the Equity Sales Agreements exceed 25% but are less than 75%, they also constitute a major transaction of CS Container under the requirements of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

3. Continuing Connected Transactions with Respect to the Assets Lease Framework Agreement

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) with respect to the proposed annual caps under the Assets Lease Framework Agreement exceeds 5%, the Assets Lease Framework Agreement and the proposed annual caps shall be subject to the requirements of reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules.

Further, pursuant to Rule 14A.52 of the Listing Rules, the Independent Financial Adviser will advise the Directors on the length of term of the Assets Lease Framework Agreement. Please refer to section headed "Letter from the Independent Financial Adviser" of this circular for advise from the Independent Financial Adviser in relation to its view on the length of the Assets Lease Framework Agreement.

4. Major and Continuing Connected Transactions with Respect to the Financial Services Provision Framework Agreement

a. Deposit services

Pursuant to Rule 14A.90 of the Listing Rules, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements. However, as the Company is required by the applicable PRC regulatory requirements to seek the approval of the Shareholders with respect to such services, relevant resolution will be proposed to the Shareholders for voting at the EGM.

b. Credit services

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) with respect to the proposed annual cap in relation to the credit services under the Financial Services Provision Framework Agreement is expected to be more than 25% but less than 75%, such transaction, together with the proposed annual cap are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transaction also constitutes a major transaction of CS Container under Rule 14.06(3) of the Listing Rules and is subject to the relevant requirements for major transactions under Chapter 14 of the Listing Rules.

c. Foreign exchange services

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) with respect to the proposed annual cap in relation to the foreign exchange services under the Financial Services Provision Framework Agreement is more than 5% but less than 25%, such transaction, together with the proposed annual cap for the year ending 31 December 2016 are subject to the reporting and announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transaction also constitutes a discloseable transaction of CS Container under Rule 14.06(3) of the Listing Rules and is subject to the relevant requirements for discloseable transactions under Chapter 14 of the Listing Rules.

d. Settlement and other financial services

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) with respect to the annual cap in respect of settlement and other financial services is expected to be less than 0.1%. Accordingly, pursuant to Rule 14A.76(1)(a) of the Listing Rules, such transactions are exempt from all reporting, announcement and Independent Shareholders' approval requirements. Should such transactions exceed the exemption threshold in the future, CS Container will re-comply with the applicable Listing Rules.

VII. INFORMATION ABOUT PARTIES INVOLVED

(A) Information about CS Group and relevant companies

(1) **CS Company:** China Shipping (Group) Company is a large shipping conglomerate involved in import and export business, trading, coastal and ocean cargo transportation, dry bulk cargo transportation, supply of food for vessels, management of docks and other services in relation to the above, and operates in different regions of the PRC and across the world.

(2) **CS Container:** China Shipping Container Lines Company Limited is principally engaged in business of operation and management of international and domestic container marine transportation.

(3) **CS Hong Kong:** China Shipping (Hong Kong) Holdings Co., Limited is principally engaged in international shipping business.

(4) **CS Container HK:** China Shipping Container Lines (Hong Kong) Co., Limited is principally engaged in route management, shipping agency, shipping transportation, and shipping-rail transportation.

(5) **CS Regional:** China Shipping Regional Holdings Pte. Ltd. is principally engaged in shipping agency, shipping transportation and chartering business in south East Asia.

(6) **CS Shanghai:** Shanghai Shipping (Group) Company is principally engaged in cargo transportation.

(7) **CS Guangzhou:** Guangzhou Maritime Transport (Group) Co., Ltd. is principally engaged in cargo transportation.

(B) Information about COSCO Group and relevant companies

(1) **COSCO Company:** China Ocean Shipping (Group) Company is one of the mega-sized state-owned enterprises under SASAC. Apart from the business operated by the Group, the main business currently operated by the COSCO Group also includes operation of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, and provision of financial services, ship trading services and seaman and ship management services, etc..

(2) **China COSCO:** China COSCO Holdings Company Limited provides a wide range of container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers through its various subsidiaries.

(3) **COSCO Pacific:** COSCO Pacific Limited is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and their related businesses.

(4) **COSCO HK:** COSCO (Hong Kong) Group Limited is principally engaged in investing holding.

(5) **COSCO Container:** COSCO Container Lines Co., Ltd. is principally engaged in international container shipping business.

(6) **COSCO Container HK:** COSCO Container Lines (Hong Kong) Co., Limited is principally engaged in international container shipping business.

(7) **Pan Asia Shipping:** Shanghai Pan Asia Shipping Company Limited is principally engaged in East Asia and domestic container shipping business.

(8) **COSCO Bulk Carrier Co., Ltd.** is principally engaged in international bulk transportation service.

(9) **Qingdao Ocean Shipping Co., Ltd.** is principally engaged in international dry and bulk cargo shipping.

(10) **COSCO Shipping Co., Ltd.** is principally engaged in special cargo transportation.

(11) **Guangzhou Ocean Shipping Co., Ltd.** is principally engaged in special cargo transportation.

(12) **Dalian Ocean Shipping Co., Ltd.** is principally engaged in liquid bulk transportation.

(13) **Xiamen Ocean Shipping Co., Ltd.** is principally engaged in international transportation of dry bulk cargos and general cargos.

(14) **COSCO International Freight Co., Ltd.** is principally engaged in international freight forwarding, shipping agency and full supply-chain services.

(15) **China Ocean Shipping Agency Co., Ltd.** is principally engaged in shipping agency and Freight Forwarding.

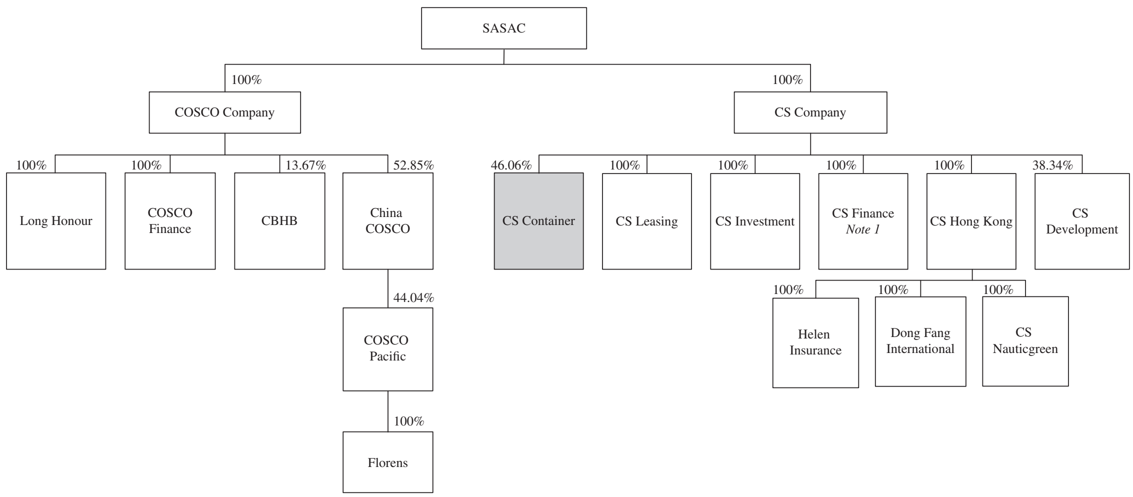
(16) **China Ocean Shipping Tally Company** is principally engaged in ocean shipping tally.

(17) **COSCO Shipbuilding Industry Company** is principally engaged in ship building, ship equipment and steel structure building.

(18) **COSCO Shipyard Group Co., Ltd.** is principally engaged in large vessels building, marine engineering's construction and conversion.

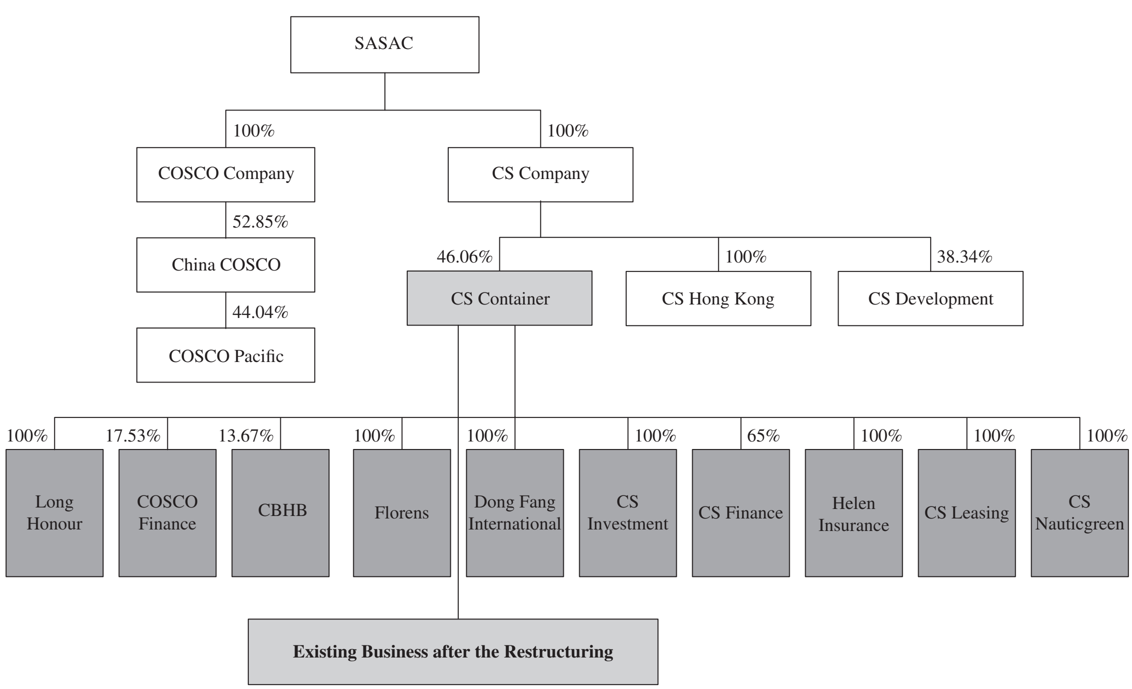
(19) **China Marine Bunker (Petro China) Co., Ltd.** is principally engaged in global supply of bunker oil, marine lubricants and fresh water to vessels, as well as the transportation and storage of oil products.

(C) Simplified corporate structure of CS Group and COSCO Group to the extent relevant to the Restructuring as at the Latest Practicable Date



Note 1: CS Container, CS Development, CS Guangzhou and CS Haisheng each holds 25%, 25%, 20% and 5% equity interests in CS Finance.

(D) Simplified corporate structure of CS Container after the Restructuring



VIII. EGM

A notice convening the EGM to be held at 10:00 a.m. on Monday, 1 February 2016 at the conference room of Holiday Inn Shanghai Jinxiu, No. 399 Jinzun Road, Pudong New Area, Shanghai, the PRC for the Shareholders to consider and, if thought fit, approve, among others, (1) the Equity Acquisition Agreements and the transactions contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder; and (4) the Financial Services Provision Framework Agreements and the transactions and the proposed annual caps contemplated thereunder was despatched to the Shareholders on 18 December 2015 pursuant to Rule 19A.39A of the Listing Rules.

CS Company is the controlling Shareholder, therefore the CS Company and its associates are connected persons (as defined under the Listing Rules) of CS Container. Pursuant to Rule 14A.59(5) of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any connected person with a material interest in such transaction and any shareholder with a material interest in such transaction and its associates, will not vote on such transaction. Accordingly, CS Company and its associates shall abstain from voting at the EGM on the resolutions in connection with the Restructuring, which must be taken by way of poll as required under the Listing Rules except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the Latest Practicable Date, the CS Group controlled or were entitled to exercise control over the voting rights in respect of 5,280,795,012 A shares and 100,944,000 H shares in the Company, representing, in aggregate, approximately 46.06% of the entire issued share capital of the Company.

To the extent that the Company is aware, having made all reasonable enquiries, as at the Latest Practicable Date:

(a) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon the CS Group;

(b) the CS Group were not subject to any obligation or entitlement whereby they had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their shares in the Company to a third party, whether generally or on a case-by-case basis; and

(c) it was not expected that there would be any discrepancy between the CS Group's beneficial shareholding interest in the Company and the number of shares in the Company in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

IX. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 125 to 126 of this circular, and the letter from the Independent Financial Adviser which is set out on pages 127 to 178 of this circular.

Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee considers that the terms and conditions of (1) the Equity Acquisition Agreements; and (2) the Equity Sales Agreements and the transactions contemplated thereunder although are not entered into in the ordinary and usual course of business of the Group, fall squarely in line with the long-term business strategy of the Group, are on normal commercial terms and the terms of respective agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (1) the Assets Lease Framework Agreement; and (2) the Financial Services Provision Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; (3) the Assets Lease Framework Agreement and (4) the Financial Services Provision Framework Agreement and the transactions and proposed annual cap (where applicable) contemplated thereunder as well as other resolutions to be proposed at the EGM.

X. OTHER INFORMATION

Your attention is also drawn to the additional information set out in this circular.

By Order of the Board
China Shipping Container Lines Company Limited
Yu Zhen
Joint Company Secretary

中海集裝箱運輸股份有限公司
China Shipping Container Lines Company Limited *

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 02866)

31 December 2015

To the Independent Shareholders,

Dear Sir or Madam,

(1) CONNECTED AND VERY SUBSTANTIAL ACQUISITIONS: ACQUISITION OF EQUITY INTERESTS IN RELATION WITH (a) CONTAINER LEASING BUSINESS; (b) SHIPPING-RELATED FINANCIAL SERVICE BUSINESS; AND (c) MINORITY FINANCIAL INTERESTS (2) CONNECTED AND MAJOR TRANSACTIONS: DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES AND ASSOCIATE COMPANIES (3) CONTINUING CONNECTED TRANSACTION: LEASE OF VESSELS AND CONTAINERS AND (4) MAJOR AND CONTINUING CONNECTED TRANSACTION: PROVISION OF FINANCIAL SERVICES TO CS GROUP

We hereby refer to the circular (the "**Circular**") dated 31 December 2015 issued by China Shipping Container Lines Company Limited ("**the Company**"), of which this letter forms part. Unless otherwise specified, capitalized terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to (1) the Equity Acquisition Agreements and the transactions contemplated thereunder; (2) the Equity Sales Agreements and the transactions contemplated thereunder; (3) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder; and (4) the Financial Services Provision Framework Agreement and the transactions and the proposed annual caps contemplated thereunder, details of which are set out in the section headed "Letter from the Board". Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "China Shipping Container Lines Company Limited".*

Independent Shareholders in this regard. The full text of the letter of advice from the Independent Financial Adviser containing its recommendation and principal factors it has taken into consideration in arriving at its recommendations is set out in the section headed "Letter from the Independent Financial Adviser" of the Circular.

Having considered the terms and conditions of (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; (3) the Assets Lease Framework Agreement; and (4) the Financial Services Provision Framework Agreement as well as the advice and recommendation of the Independent Financial Adviser set out in this letter of advice, we consider that the terms and conditions of (1) the Equity Acquisition Agreements; and (2) the Equity Sales Agreements and the transactions contemplated thereunder although are not entered into in the ordinary and usual course of business of the Group, fall squarely in line with the long-term business strategy of the Group, are on normal commercial terms and the terms of each of the respective agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (1) the Assets Lease Framework Agreement; and (2) the Financial Services Provision Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve (1) the Equity Acquisition Agreements; (2) the Equity Sales Agreements; (3) the Assets Lease Framework Agreement; and (4) the Financial Services Provision Framework Agreement and the transactions and proposed annual caps (where applicable) contemplated thereunder.

Yours faithfully,
Ms. Zhang Nan
Mr. Guan Yimin
Mr. Shi Xin
Ms. Hai Chi Yuet and
Mr. Graeme Jack
Independent Board Committee

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

31 December 2015

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(A) CONNECTED AND VERY SUBSTANTIAL ACQUISITIONS:
ACQUISITION OF EQUITY INTERESTS IN RELATION WITH
(1) CONTAINER LEASING BUSINESS;
(2) SHIPPING-RELATED FINANCIAL SERVICE BUSINESS; AND
(3) MINORITY FINANCIAL INTERESTS
(B) CONNECTED AND MAJOR TRANSACTIONS:
DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES AND
ASSOCIATE COMPANIES
(C) CONTINUING CONNECTED TRANSACTION:
LEASE OF VESSELS AND CONTAINERS
AND
(D) MAJOR AND CONTINUING CONNECTED TRANSACTION:
PROVISION OF FINANCIAL SERVICES TO CS GROUP**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (A) the Equity Acquisition Agreements and the transactions as contemplated thereunder; (B) the Equity Sales Agreements and the transactions as contemplated thereunder; (C) the Assets Lease Framework Agreement and the transactions and the proposed annual caps as contemplated thereunder; and (D) the credit services and foreign exchange services under the Financial Services Provision Framework Agreement and the proposed annual caps as contemplated thereunder (collectively, the "**Transactions**"). Details of the Transactions are set out in the circular of the Company dated 31 December 2015 (the "**Circular**"), of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular. The Transactions may be summarised as follows:

A. Connected and very substantial acquisitions – the Equity Acquisition Agreements

On 11 December 2015, the Company or its relevant subsidiary entered into a series of agreements in relation to the acquisition of equity interests in certain companies operating in container leasing business, shipping-related financial service business and other financial industries for a consideration of approximately RMB27,251.74 million, details of which are set out in the Circular. The Equity Acquisition Agreements and the transactions as contemplated thereunder constitute very substantial acquisitions under Chapter 14 of the Listing Rules.

B. Major and connected transactions – the Equity Sales Agreements

On 11 December 2015, the Company and CS Hong Kong (as the sellers) and COSCO Pacific (as the purchaser) entered into the CS Ports Sales Agreement in relation to the sale and purchase of the entire equity interests in CS Ports for a consideration of approximately RMB7,632.4553 million, of which the consideration for the equity interests in CS Ports held by the Company and CS Hong Kong is approximately RMB3,739.9031 million and RMB3,892.5522 million respectively. On the same day, the Offshore Agency Sales Agreements and Onshore Agency Sales Agreements were entered into by the Company or its relevant subsidiary in connection with the sales of equity interests in certain subsidiaries and associate companies involving in shipping agency and other related business, details of which are set out in the Circular. The total consideration in relation to the sales of equity interests under the Offshore Agency Sales Agreements and the Onshore Agency Sales Agreements is approximately RMB1,184.130 million. The transactions contemplated under the CS Ports Sales Agreement, the Offshore Agency Sales Agreements and the Onshore Agency Sales Agreements constitute major transactions for the Company under Chapter 14 of the Listing Rules.

C. Continuing connected transaction – the Assets Lease Framework Agreement

On 11 December 2015, the Company (as the lessor) and China COSCO (as the lessee) entered into the Assets Lease Framework Agreement in relation to chartering and leasing of vessels and containers (exclude finance leasing) of the Company to China COSCO and/or its subsidiaries and associates.

D. Major and continuing connected transaction – the Financial Services Provision Framework Agreement

On 11 December 2015, the Company and CS Company entered into, among others, the Financial Services Provision Framework Agreement in relation to the provision of certain financial services to CS Group and/or its associates, in particular the Group shall procure CS Finance to provide CS Group and/or its associates with a range of financial services including (i) deposit services; (ii) credit services; (iii) settlement services; and (iv) foreign exchange services; and (v) other financial services as approved by CBRC. For credit services and foreign exchange services, such transactions, together with their proposed annual caps for the year ending 31 December 2016 is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Credit services and foreign exchange services also constitute major transaction and discloseable transaction of the Company under Rule 14.06(3) and Rule 14.06(2) of the Listing Rules respectively.

CS Company is the controlling shareholder of the Company and therefore a connected party of the Company under Chapter 14A of the Listing Rules. As certain transactions contemplated under the Equity Acquisition Agreements and Equity Sales Agreements are entered into between the Company and/or its subsidiary and CS Group and/or its associates, these transactions shall constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given the transactions involved in the Restructuring are inter-conditional, all transactions contemplated under the Equity Acquisition Agreements, the Equity Sales Agreements and the Assets Lease Framework Agreement shall be continuing connected transactions or connected transactions of the Company. Also, the transactions contemplated under the Financial Services Provision Framework Agreement constitute continuing connected transactions of the Company.

Accordingly, the Transactions are subject to the approval of the Independent Shareholders at the EGM. CS Company and its respective associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve, among other things, the transactions contemplated under the Equity Acquisition Agreements, the Equity Sales Agreements, the Assets Lease Framework Agreement and the proposed annual caps as contemplated thereunder and the credit services and foreign exchange services under the Financial Services Provision Framework Agreement and the proposed annual caps as contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Zhang Nan, Mr. Guan Yimin, Mr. Shi Xin, Ms. Hai Chi Yuet and Mr. Graeme Jack, has been formed to advise the Independent Shareholders in relation to the Transactions. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms governing (A) the Equity Acquisition Agreements and the transactions as contemplated thereunder; (B) the Equity Sales Agreements and the transactions as contemplated thereunder; (C) the Assets Lease Framework Agreement and the transactions and the proposed annual caps as contemplated thereunder; and (D) the credit services and foreign exchange services under the Financial Services Provision Framework Agreement and the respective proposed annual caps as contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and its shareholders as a whole. We are also required to comment on the reasons why the term of the Asset Lease Framework Agreement exceeds three years.

In formulating our opinion and recommendation, we have reviewed, among other things, the Equity Acquisition Agreements, the Equity Sales Agreements, the Assets Lease Framework Agreement, the Financial Services Provision Framework Agreement, the valuation reports in respect of the Financial Equity and the Sales Equity to be acquired and disposed (the "**Relevant Companies**"), the accountants reports of the Relevant Companies for the three years ended 31 December 2012, 2013 and 2014 and the period ended 30 September 2015, the annual reports of the Company for each of the two years ended 31 December 2013 and 31 December 2014 (the "**Annual Reports**"), the interim report (the "**Interim Report**") of the Company for the six months ended 30 June 2015 and the information as set out in the Circular. We have also discussed the businesses and future prospects of the Group with the management of the Group. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or the Relevant Companies.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. In the last two years, there has been no other engagement between the Company and Somerley Capital Limited. Accordingly, we do not consider any conflict of interest arises for Somerley Capital Limited in acting as the independent financial adviser of the Transactions. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(i) Background of the Group

The Group is principally engaged in owning, chartering and operating container vessels for the provision of international and domestic container marine transportation services. Principal markets of the Group mainly include the Pacific trade lanes, Europe/Mediterranean trade lanes, Asia Pacific trade lanes and China domestic trade lanes. As at the end of December 2014, CSCL had a fleet of 158 vessels with total operating capacity of 727,000 twenty foot equivalent units, ranking it seventh among its peers in the industry. The Company operates more than 80 international and domestic routes as well as Southeast, South and North China and Yangtze River sub-routes. The operation of container terminals was transferred to China Shipping Terminal Development (H.K.) Co., Ltd. ("**CSTD HK**") in June 2014. The Company holds 49% shareholding in CSTD HK following the transfer.

(ii) Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for the each of the three years ended 31 December 2012, 2013 and 2014, which are extracted from the Annual Reports, and for the six months ended 30 June 2014 and 2015, which are extracted from the Interim Report.

	Six months ended 30 June		Year ended 31 December		
	2015	**2014**	**2014**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Continuing operations					
Revenue	15,991,418	17,406,834	36,077,425	33,917,357	32,997,924
Costs of services	(15,431,426)	(17,523,018)	(34,839,333)	(36,004,215)	(33,460,782)
Profit/(loss) from continuing operations	19,098	406,066	1,029,994	(2,864,677)	434,100
Discontinued operation					
Profit from discontinued operation	–	38,756	38,756	280,632	139,510
Profit/(loss) attributable to owners of the Company	10,643	431,637	1,044,036	(2,610,098)	524,921

Continuing operations

Revenue from continuing operations increased from approximately RMB33.0 billion to approximately RMB33.9 billion from 2012 to 2013, representing an increase of approximately 2.8%, mainly due to the increase in volume of loaded cargoes and increase in logistics and other income with expanded provision of the extended logistics and other supply services, partially offset by the decrease in the freight rates with weak demand in the international container shipping market in 2013.

Profit from continuing operations dropped from approximately RMB434.1 million in 2012 to loss of approximately RMB2.9 billion in 2013. This was mainly attributable to the increase in (i) stevedore charges for loaded and empty containers; (ii) charges for repositioning empty containers; (iii) rental fees of containers; and (iv) container management costs, with the increase in the volume of loaded cargoes for long trade lanes.

Revenue increased from approximately RMB33.9 billion to approximately RMB36.1 billion (approximately 6.4%) from 2013 to 2014. This was attributable to the increase in freight rates during the year given the recovery of and increased demand in international trade lanes in 2014. The Group focused on the reform and adjustment of domestic trade lanes to secure high-value contracts.

Profit from continuing operations in 2014 represented an increase of approximately RMB3.9 billion from 2013. The improvement in profit was mainly due to the strengthening of fuel saving measures by the Company and the adding of ports with fuel refill facilities at lower prices given the fall in oil prices in late 2014, leading to a decrease in fuel costs.

Due to the imbalance between shipping capacity supply and demand, freight rates for domestic trade lanes continued to decline and freight rates for international trade lanes fluctuated sharply in the first half of 2015. As a result, revenue for the six months ended 30 June 2015 decreased by approximately 8.1% from approximately RMB17.4 billion for the six months ended 30 June 2014 to RMB16.0 billion.

For the six months ended 30 June 2015, the profit from continuing operations has decreased by approximately 95.3% as compared to the same period in 2014 due to lower level of revenue and in particular a gain on disposal of subsidiaries of approximately RMB948.1 million (as detailed below) was recorded for the six months ended 30 June 2014, while there was no similar gain recorded in the corresponding period in 2015.

Discontinued operation – China Shipping Terminal Company Limited

On 20 June 2014, the Group completed a disposal of 100% interest in China Shipping Terminal Development Co., Ltd. ("**CSTD**") to CSTD HK for a consideration of approximately RMB3.4 billion. CSTD is principally engaged in operation of container terminals. The container terminal and related business was classified as a disposal group held for sale starting from the year ended 31 December 2013. The Group recorded a gain on disposal of approximately RMB948.1 million, contributing to a one-off increase in the profit for the six months ended 30 June 2014.

(iii) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2012, 2013 and 2014 and as at 30 June 2015.

	As at 30 June	**As at 31 December**		
	2015	**2014**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
NON-CURRENT ASSETS				
Property, plant and equipment	37,983,945	36,369,808	32,290,294	35,676,940
Investments in associates	3,833,037	3,754,380	297,303	293,965
Other non-current assets	82,592	87,916	646,146	2,310,252
	41,899,574	40,212,104	33,233,743	38,281,157
CURRENT ASSETS				
Inventories	1,228,983	1,185,498	1,545,370	1,238,030
Prepayments, trade, notes and other receivables	2,651,510	2,786,464	2,851,647	2,854,106
Other current assets	326,100	1,197	2,100	1,000
Cash and cash equivalents	8,005,395	9,355,888	9,014,462	8,830,970
	12,211,988	13,329,047	13,413,579	12,924,106

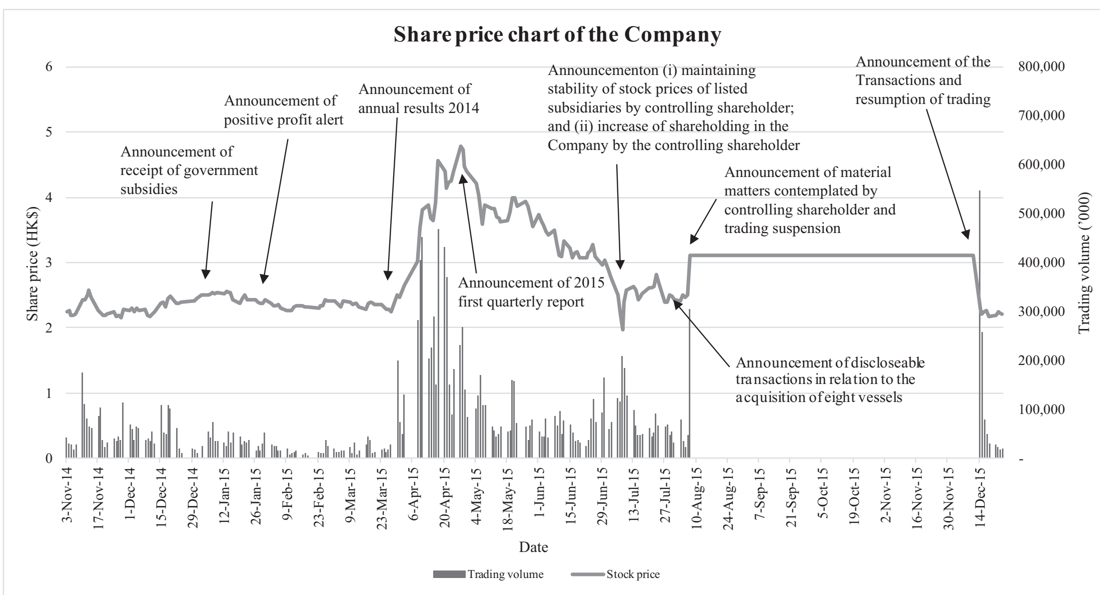
	As at 30 June 2015	As at 31 December 2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
CURRENT LIABILITIES				
Trade and other payables and accruals	4,626,634	4,484,255	4,647,635	4,662,172
Interest-bearing bank and other borrowings	8,217,757	8,690,651	8,020,195	1,528,272
Other current liabilities	38,822	81,171	73,833	159,873
	12,883,213	13,256,077	12,741,663	6,350,317
Net current assets/(liabilities)	(671,225)	72,970	671,916	6,573,789
Total assets less current liabilities	41,228,349	40,285,074	33,905,659	44,854,946
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	14,527,683	13,463,254	10,917,131	15,363,812
Domestic corporate bonds	1,795,206	1,793,981	1,791,530	1,789,078
Other non-current liabilities	10,340	150,356	186,624	228,395
	16,333,229	15,407,591	12,895,285	17,381,285
Net assets	24,895,120	24,877,483	21,010,374	27,473,661
Discontinued operation				
Net assets of a disposal group classified as held for sale	–	–	3,207,680	–
	24,895,120	24,877,483	24,218,054	27,473,661
EQUITY				
Share capital	11,683,125	11,683,125	11,683,125	11,683,125
Reserves	16,897,299	16,893,754	16,933,594	17,044,090
Accumulated losses	(3,770,570)	(3,784,442)	(4,845,260)	(2,198,638)
	24,809,854	24,792,437	23,771,459	26,528,577
Non-controlling interests	85,266	85,046	446,595	945,084
Total equity	24,895,120	24,877,483	24,218,054	27,473,661

As at 30 June 2015, non-current assets of the Group mainly comprised property, plant and equipment of approximately RMB38.0 billion, principally consisted of container vessels. Current assets of the Group mainly comprised (a) inventories of approximately RMB1.2 billion; (b) prepayments, trade, notes and other receivables of approximately RMB2.7 billion; and (c) cash and cash equivalents of approximately RMB8.0 billion.

Liabilities of the Group as at 30 June 2015 mainly represented (a) interest-bearing bank and other borrowings of approximately RMB22.7 billion; (b) trade and other payables and accruals of approximately RMB4.6 billion; and (c) domestic corporate bonds issued in the PRC of approximately RMB1.8 billion, fully repayable by 12 June 2017.

Gearing ratio, being defined as total borrowings, including loans from and amounts due to related parties, corporate bonds, notes, bank and other borrowings and other payable and accruals, divided by total assets, was approximately 47.2% as at 30 June 2015. Bank and other borrowings and domestic corporate bonds of approximately RMB24.5 billion were higher than cash and cash equivalents of approximately RMB8.0 million as at 30 June 2015, giving rise to a net debt position.

(iv) Share price and trading volume



Source: the website of the Stock Exchange

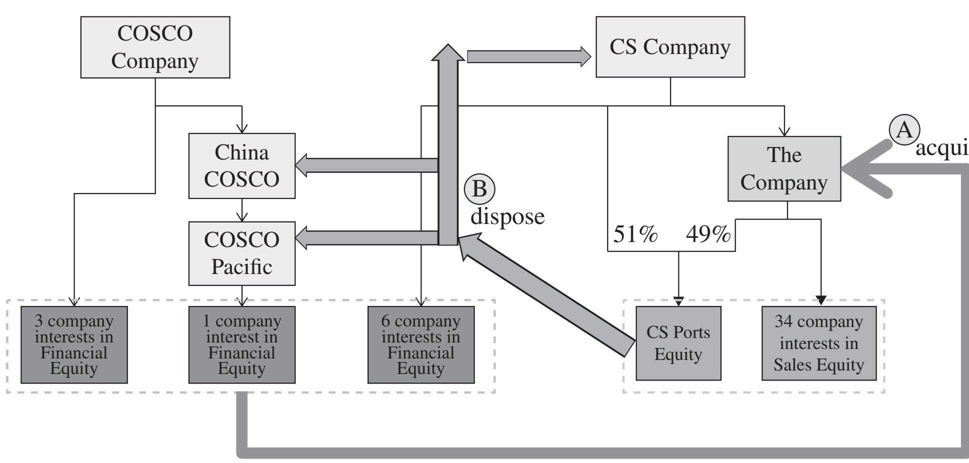
We have reviewed the Share price movement since November 2014 (i.e. approximately one year preceding the Latest Practicable Date). As shown in the chart above, the Shares closed between HK$1.97 and HK$4.79 during the period from 3 November 2014 up to and including the Latest Practicable Date. In general, the Share price recorded a high of HK$4.79 on 27 April 2015. The Share price dropped to a minimum of HK$1.97 on 8 July 2015, and increased to HK$2.40 on 9 July 2015 after the release of the announcements in relation to the increase in shareholding by the controlling shareholder of the Company. The trading in the Shares suspended since 10 August 2015 due to certain material matters contemplated by CS Company until the release of the announcement in relation to the Restructuring, details of which is in the Circular.

After the publication of the announcement in relation to the Restructuring on 13 December 2015, the closing price of the Shares decreased sharply to HK$2.29 on 14 December 2015, representing a decrease of approximately 26.4% to the closing price of HK$3.11 before suspension of trading on 7 August 2015. The decrease is possibly attributable to, among others: (i) the drop of Hang Seng Index by approximately 13.1% between 10 August 2015 and 14 December 2015; (ii) the drop of Hang Seng China Enterprises Index by approximately 17.5% during the said period; (iii) the increase of the Share price by approximately 23.9% from HK$2.51 on 6 August 2015 to HK$3.11 on 7 August 2015, right before the suspension of trading of Shares pending for the release of the announcement in relation to the Restructuring; and (iv) the market reaction with the uncertainty on Completion. As at the Latest Practicable Date, the price of Shares closed at HK$2.22.

2. Background of the Restructuring and structure of the Transactions

On 11 December 2015, as notified by CS Company, the controlling shareholder of the Company, SASAC has granted its approval in principle of restructuring of CS Group and COSCO Group in relation to their businesses in container shipping, vessel leasing, oil shipping, bulk shipping and financial sectors.

Set out below is the structure of the Transactions as at the Latest Practicable Date:



A — To acquire – pursuant to the Equity Acquisition Agreements

B — To dispose – pursuant to the CS Ports Sales Agreement, the Offshore Agency Sales Agreements and the Onshore Agency Sales Agreements

The Transactions consist of the following parts:

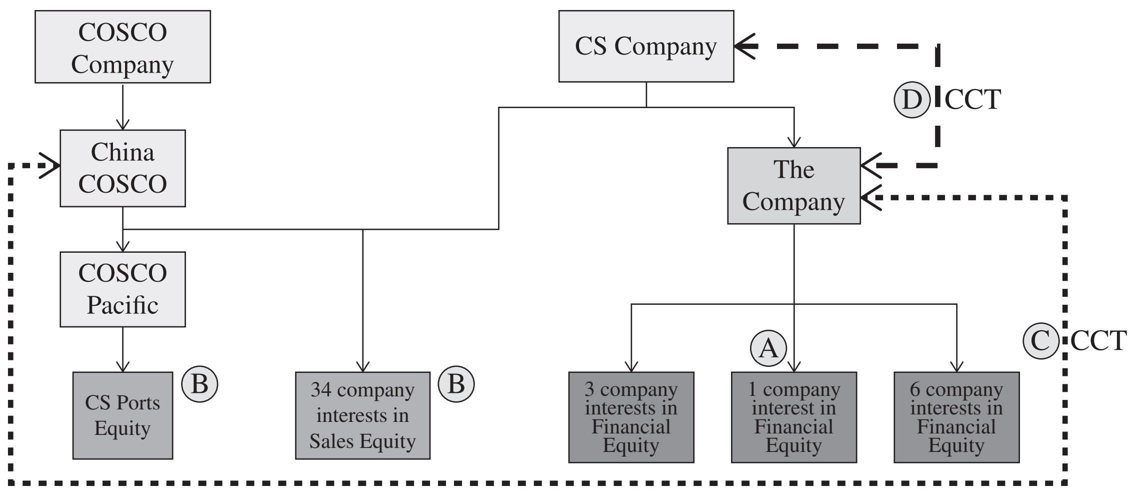
A. Connected and very substantial acquisitions – the Equity Acquisition Agreements

B. Connected and major transactions – the CS Ports Sales Agreement, the Offshore Agency Sales Agreements and the Onshore Agency Sales Agreements

C. Continuing connected transaction – the Assets Lease Framework Agreement

D. Major and continuing connected transaction – the Financial Services Provision Framework Agreement

Set out below is the structure of the Transactions as at Completion:



A Acquired pursuant to the Equity Acquisition Agreements

B Disposed pursuant to the CS Ports Sales Agreement, the Offshore Agency Sales Agreements and the Onshore Agency Shares Agreement

C <- - - The Assets Lease Framework Agreement

D < – – The Financial Services Provision Framework Agreement

Detailed analysis of each part of the Transactions is set out in the following sub-sections.

A. Equity Acquisition Agreements

Pursuant to the Equity Acquisition Agreements, the Company or its relevant subsidiary have agreed to purchase the Financial Equity, including the entities set out below:

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entities
Dong Fang International	100%	BVI	Container leasing business
Florens	100%	BVI	Container leasing business
CS Nauticgreen	100%	Hong Kong	Shipping-related financial service business
Helen Insurance	100%	Hong Kong	Shipping-related financial service business
CS Leasing	100%	PRC	Shipping-related financial service business

Name	Shareholding percentage to be acquired	Place of incorporation	Investment nature of the entities
CS Investment	100%	PRC	Investment holding
CS Finance	40%	PRC	Financial service business
COSCO Finance	17.53%	PRC	Financial service business
Long Honour	100%	BVI	Minority financial investments – CIMC
CBHB	13.67%	PRC	Minority financial investments – CBHB – banking

(i) Background of the Financial Equity

Companies under the Financial Equity to be acquired (the "**Acquisition Companies**") are principally engaged in container leasing business, financial service business, investment holding, banking and insurance brokerage services. The Company will only acquire a minority interest in COSCO Finance, CIMC and CBHB. A minority of CIMC will be acquired through acquisition of 100% equity interest in Long Honour.

(ii) Reasons for and benefits of the Equity Acquisition Agreements

The Directors consider that the transactions under the Equity Acquisition Agreements will strengthen the Company's ability to counter the business cycle of the conventional shipping business. This will be achieved through the expansion of the Company's chartering business, container leasing business and shipping related financial services, which is expected to stabilise the financial condition of the Company and create growth engines for the benefit of the Company and its shareholders.

The transactions under the Equity Acquisition Agreements will also provide synergy among the business segments of the Company and among the Company and other members of CS Group and COSCO Group. The Company will be able to provide a full range of shipping services, including container shipping, leasing and related financial services, which is expected to strengthen the business segments through comprehensive services, cross-selling and increased loyalty of customers. Additionally, the expanded business of the Company can better interact with the business of other members of CS Group and COSCO Group through the integration of financial services with the industrial segments.

Having considered that the transactions under the Equity Acquisition Agreements will facilitate intra-group business integration by (i) optimising strategy management and control; (ii) achieving synergy among different business segments;

and (iii) improving overall operating efficiency of the Company, we concur with the Directors' view that the Equity Acquisition Agreements are in the interests of the Company and its shareholders as a whole.

(iii) Conditions precedent

In general, completions of the acquisitions of the Financial Equity are conditional upon satisfaction or waiver of conditions including, but not limited to,

(a) all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of the parties under the agreements and applicable listing rules (where applicable);

(b) all approvals from the decision-making bodies of the Acquisition Companies having been obtained;

(c) no material adverse change having occurred to the business, operations, assets, liabilities, etc. of the Acquisition Companies since the Reference Date, save as disclosed to the purchasers by the vendors before the signing of the Equity Acquisition Agreements;

(d) no breach of the terms of the Equity Acquisition Agreements having occurred, and the declarations, representations and warranties given by the purchasers and vendors respectively as set out therein remaining effective;

(e) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any similar occurrence of events of similar effects; and

(f) all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving the Group, and no part of these transactions having been terminated, nor is there any similar occurrence of events of similar effects.

The purchasers and vendors shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent or by written notice to each other. As at the Latest Practicable Date, the Company or its relevant subsidiary did not expect to waive any condition precedent under the Equity Acquisition Agreements.

For further details of the conditions precedent of each of the Equity Acquisition Agreements, please refer to the sub-section headed "Principal Terms – Conditions precedent" of each of the Equity Acquisition Agreements in the Circular.

(iv) Consideration for the Equity Acquisition Agreements

The total consideration for the Financial Equity shall be approximately RMB27,251.74 million (the "**Acquisition Consideration**"), which will be settled by cash and the Company will pay the consideration of the Financial Equity by applying its existing cash, bank loans and other resources.

As set out in the Letter from the Board of the Circular, the Acquisition Consideration was arrived after arm's length negotiation between relevant parties by reference to (among others) the valuations of the Financial Equity.

In addition to the consideration for the acquisition of the entire equity interests in Florens, CS Container HK has also agreed to pay an amount equal to approximately US$285,000,000 to COSCO Pacific for the purchase of loans of an outstanding amount of approximately US$285,000,000 advanced by COSCO Pacific to Florens. As the assignment of loans is on a dollar-on-dollar basis, we consider the terms of such is acceptable.

In addition to the consideration for the acquisition of the entire equity interests in Long Honour, CS Container HK has also agreed to pay an equivalent of amount in HK$ to COSCO HK for the purchase of (1) all the outstanding debts of Long Honour to COSCO HK at an amount of approximately RMB7,412.5594 million as determined in the financial account of Long Honour as at the Reference Date; and (2) additional loan(s) to COSCO HK with a total amount of no more than approximately HK$877,543,120.24 for the subscription of new H shares placed by CIMC after the date of Long Honour Acquisition Agreement and prior to the completion of the acquisition of the entire equity interests in Long Honour. As the assignments of loans are on a dollar-on-dollar basis, we consider the terms of such is acceptable.

(v) PRC valuation

A summary of the PRC valuation report issued by the PRC Valuer dated 11 December 2015 containing the valuation of the Financial Equity is set out in Appendix IV to the Circular (the "**PRC Acquisition Valuation Report**"). The PRC Acquisition Valuation Report has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the transactions under the Equity Acquisition Agreements. We have discussed the expertise of the PRC Valuer with its relevant staff members. We understand that the PRC Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and the majority of persons in-charge of the valuation of the Financial Equity have over eight years' industry experience in conducting valuation exercises. We have also reviewed the terms of the PRC Valuer's engagement letter and noted that the purpose of the PRC valuation is to provide an opinion of value of the Financial Equity. The engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

In the course of our review, we have discussed with the PRC Valuer the methodologies, bases and assumptions adopted in the PRC Acquisition Valuation Report.

Valuation methodologies and bases

Based on our discussion with the PRC Valuer and review of the PRC Acquisition Valuation Report, we note that the valuation of the Financial Equity was primarily based on the "market approach". For the situations where the "market approach" was unsuitable or inappropriate, the "asset-based approach" was adopted.

The "market approach" refers to the assessment of a value of target entity by making reference to the market values of companies or transactions which are considered to be comparable to the target entity. Two methods are commonly adopted in the market approach, namely comparable companies method and comparable transactions method. Comparable companies method refers to the method to determine the value of the target entity by obtaining and analysing listed comparable companies' operating and financial data, computing the appropriate ratios, and comparing the target entity against comparable companies. Comparable transactions method refers to the method to determine the value of the target entity by obtaining and analysing transactional data of acquisitions and disposals of companies with similar business nature, computing the appropriate ratios, and comparing acquisition of the target entity against comparable transactions.

The "asset-based approach" is essentially a combination of valuation methodologies used to derive the value of a target entity by appraising the value of the various assets and liabilities based on the balance sheet of the target entity at the valuation reference date. The "asset-based approach" is based on a judgment of the amount of investment needed to re-build an enterprise identical to the target entity on the appraisal date. In particular, the value is arrived at by summing up the appraised values of each asset component forming the enterprise and then deducting the appraised values of its liabilities.

Under the asset-based approach, we note that, in performing the valuation for the Financial Equity, the PRC Valuer categorised the various groups of interests held under the Acquisition Companies and applied what it considers the most relevant valuation methodologies to value each group (details of which can be found in Appendix IV to the Circular). These methodologies include, among others, market, income capitalisation (i.e. "income approach" as quoted in the PRC Acquisition Valuation Report), discounted cash flow ("DCF") (i.e. "income approach using DCF for firm model" as quoted in the PRC Acquisition Valuation Report) and cost (after adjusting values of certain assets by their replacement costs).

(a) For listed companies accounted for as long-term equity investment, the appraised value is, in general, determined by multiplying (i) value per share, which is the 30-day weighted average trading prices before the appraisal date; and (ii) the number of shares to be held upon completion of the transaction under the respective Equity Acquisition Agreements. We note that the PRC Valuer is essentially using the prevailing market prices of the relevant shares as at the appraisal date to form the basis of determining the valuation of the listed companies.

(b) For certain unlisted companies, the PRC Valuer valued the companies based on (i) DCF; and (ii) income capitalisation methodologies. The PRC Valuer considers it appropriate to appraise the unlisted companies with stable and predictable operating profit and cash flow by either DCF or income capitalisation, as future cash flow or income unlisted companies can be reasonably estimated with confidence.

(c) For other unlisted companies, the PRC Valuer adopted the market methodology i.e. assessment of those companies by making reference to the market values of companies which are considered to be comparable.

The values of seven out of ten Acquisition Companies have been determined by the market approach. These Acquisition Companies are operating in the financial sector, where listed companies comparable with the target entities are, in general, readily identified and relevant information can be obtained from public domain. Also, the market approach involves comparison of the target entities against comparable companies, with least assumptions and subjectivity needed. On this basis, it is considered desirable to adopt the market approach in determining the value of those seven Acquisition Companies.

The values of three out of ten Acquisition Companies, namely CS Nauticgreen, CS Investment and Long Honour, are determined by the asset-based approach. Long Honour is principally engaged in holding interests in CIMC and does not have substantial business operation. CS Investment is principally engaged in container manufacturing and sales and investment holding. CS Nauticgreen is principally engaged in ship holding and management and shipping related financial service business, and controls four subsidiaries, each with the ownership of a vessel under construction. Given the balance sheets of the above-mentioned companies include material investments and/or capital assets, it is considered appropriate to adopt the asset-based approach in determining the value of those three Acquisition Companies.

Valuation assumptions

The key assumptions of such valuation, in general, are set out as follows:

- the target entity is transacted in an open market in order to achieve its market value, with willing and rational buyers and sellers in equal status in the competitive market, each having sufficient opportunity and time to obtain market information;
- no significant change to existing relevant laws, regulations and policies, the country's macroeconomic conditions, political, economic and social environment in the regions where the target entity operates, and no other unpredictable and force majeure which would cause significant adverse effects;
- the target entity is an ongoing business and operates continuously;
- the management of the target entity is conscientious and capable to maintain normal business operation of the target entity;
- the target entity is fully complying with all relevant laws and regulations, with no major non-compliance affecting the development and profitability of the target entity;
- the accounting policy of the target entity remains materially unchanged;
- the management style, business scope and strategic directions of the target entity remain materially unchanged;
- the interest rates, exchange rates, tax rates and regulatory charges have no significant change;
- key business model of the target entity remains the same; and
- no other force majeure or unforeseen factors occur which would have significant adverse impact on the business of the target entity.

Having discussed with the PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the Financial Equity, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Reference Date are in line with the market practice for valuation of similar businesses.

(vi) Cross-checking the results by price to earnings and price to book ratios of comparable companies

As a cross-check, we have carried out our own analysis to assess the Acquisition Consideration. Given the diversity of nature of business of the Financial Equity, we have performed the analysis based on aggregate value of target entities of the Financial Equity given the acquisitions of the Financial Equity form a package deal and the Company cannot acquire certain target entities and reject others.

Long Honour is the only Acquisition Company holding listed shares. The principal asset of Long Honour is CIMC Equity with A shares and H shares listed on SZSE and the Stock Exchange respectively. CIMC Equity will be valued at its market value based on the sum of the closing price of CIMC on SZSE (for A shares) and the Stock Exchange (for H shares) for the 30 consecutive trading days prior to and including the Latest Practicable Date with reference to the shareholding percentage to be acquired by the Company. The appraised value of Long Honour was based on sum of (i) the market value of CIMC Equity; and (ii) the net liability of Long Honour excluding the value of CIMC Equity (being book value of other assets held by Long Honour and its wholly-owned subsidiary, less the book value of debts).

Each Acquisition Company (except for Long Honour and CIMC, assessed on the method above) is principally engaged in one of the following segments, namely (i) equipment and commercial financing; (ii) non-life insurance; (iii) banking; (iv) container leasing; and (v) container manufacturing and sales. For the purpose of assessing the reasonableness and fairness of the appraised value of the Financial Equity (except for Long Honour and CIMC), we have on a best endeavours basis reviewed a number of comparable companies which are principally engaged in one of the segments mentioned above (the "**Acquisition Comparable Companies**"). The Acquisition Comparable Companies have been selected based on the following criteria: (i) listed on the stock exchange in Hong Kong; and (ii) principally engaged in equipment and commercial financing, non-life insurance, banking, container leasing or container manufacturing and sales. Based on such criteria, we have on a best endeavours basis identified 16 Acquisition Comparable Companies, which provide a relevant benchmark for the purpose of assessing the Acquisition Consideration. We consider the Acquisition Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above. Price to earnings ("**P/E**") ratios of the Acquisition Comparable Companies in the relevant segment are used for the computation of approximate assessed values, except for companies (i) with no profit or revenue generated for the 12 months ended 30 September 2015, i.e. CS Nauticgreen; or (ii) in the banking industry, i.e. CBHB, where price to book ("**P/B**") ratios are considered to be more representative. For each of the Acquisition Comparable Companies, the P/E ratio and P/B ratio are extracted from Bloomberg as at the Latest Practicable Date, except for COSCO Pacific (one of the Acquisition Comparable Companies) given the trading of shares of which suspended until the release of the announcement in relation to the Restructuring. We are of the view that the P/E ratio of COSCO Pacific before suspension should be used in our analysis in order to separate the impacts of the Restructuring on share price of COSCO Pacific.

We have calculated the maximum, minimum and the average P/E and P/B ratios within each segment. The approximate assessed value of the Financial Equity (except for Long Honour and CIMC) under each segment, high end, low end and average, calculated based on (i) profit attributable to equity holders for the 12 months ended 30 September 2015 of each Acquisition Company for companies adopting the P/E ratios, and net assets attributable to equity holders as at 30 September 2015 for companies using the P/B ratios; (ii) the maximum, minimum or average P/E or P/B ratios of the respective Acquisition Comparable Companies in the relevant segment; and (iii) the direct or indirect shareholding percentage to be held by the Group upon Completion.

Segments	**Assessed value (high end)** *(RMB'million)*	**Assessed value (low end)** *(RMB'million)*	**Assessed value (average)** *(RMB'million)*
Equipment and commercial financing *(Note 1)*	3,092	1,318	2,151
Non-life insurance *(Note 2)*	213	139	176
Banking *(Note 2)*	6,227	3,161	4,636
Container leasing *(Note 3)*	12,110	12,110	12,110
Long Honour – CIMC Equity *(Note 4)*	10,817	10,817	10,817
Long Honour – net liability excluding the value of CIMC Equity *(Note 4)*	(7,313)	(7,313)	(7,313)
Container manufacturing and sales *(Note 2)*	4,749	3,807	4,279
Total approximate assessed value	29,895	24,039	26,856
Acquisition Consideration			27,252

Notes:

1. Acquisition Companies under equipment and commercial financing segment include CS Leasing, CS Finance and COSCO Finance.

2. Helen Insurance, CBHB and CS Investment are under non-life insurance segment, banking segment and container manufacturing and sales segment respectively.

3. Container leasing segment includes Dong Fang International, Florens and CS Nauticgreen.

4. CIMC Equity held by Long Honour is valued at the market value of its shares. As Long Honour is a dormant company, the net liability will be adopted for assets other than CIMC Equity held by Long Honour in the analysis above.

5. The financial figures we based on are from audited reports of each of the Acquisition Companies under the HKFRS, except for CBHB which was prepared in accordance with the PRC GAAP. In respect of our analysis, we are of the view that the differences in the accounting standards should not have a material impact.

Based on the above table, the range of the approximate assessed value is from approximately RMB24.0 billion to approximately RMB29.9 billion, with an average approximate assessed value of approximately RMB26.9 billion. The Acquisition Consideration of approximately RMB27.3 billion falls towards the middle of such range being approximately 1.5% above the average approximate assessed value. This suggests, as a cross-check, that the Acquisition Consideration is reasonable.

B. Equity Sales Agreements

Pursuant to the CS Ports Sales Agreement, the Company and CS Hong Kong have agreed to sell and COSCO Pacific has agreed to acquire the entire equity interests of CS Ports, which is currently 49% and 51% owned by the Company and CS Hong Kong respectively. CS Ports is principally engaged in the investment of ports.

Pursuant to the Offshore Agency Sales Agreement, the Company or its relevant subsidiary has agreed to sell equity interests in certain offshore subsidiaries and associate companies involving in shipping agency or other related business (the "**Offshore Agency Sales Equity**"):

Name	Shareholding percentage to be sold	Place of incorporation	Principal business	Direct or indirect shareholding percentage sold by the Company
China Shipping Container Lines Agency (Hong Kong) Co., Limited	100%	Hong Kong	Shipping agency services	100%
Universal Shipping (Asia) Company Limited	100%	Hong Kong	Shipping business	100%
China Shipping (Singapore) Petroleum Pte. Ltd.	91%	Singapore	Petroleum procurement	91%
Golden Sea Shipping Pte. Ltd.	60%	Singapore	Shipping business	60%

Pursuant to the Onshore Agency Sales Agreements, the Company or its relevant subsidiary has agreed to sell equity interests in certain onshore subsidiaries and associate companies involved in onshore shipping agency and other related business set out below (the "**Onshore Agency Sales Equity**"):

Name	Shareholding percentage to be sold	Place of incorporation	Principal business	Direct or indirect shareholding percentage sold by the Company
China Shipping Container Lines Dalian Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Tianjin Company Limited	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Qingdao Company Limited	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Shanghai Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Xiamen Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Guangzhou Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Shenzhen Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Hainan Company Limited	100%	PRC	Shipping agency services	100%
China Shipping Container Lines (Dalian) Data Processing Co., Ltd.	100%	PRC	Information services	100%
Shanghai Puhai Shipping Co., Ltd.	98.2%	PRC	Shipping business	100%

Name	Shareholding percentage to be sold	Place of incorporation	Principal business	Direct or indirect shareholding percentage sold by the Company
China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.	100%	PRC	Transportation business	100%
Dalian Vanguard International Logistics Co., Ltd.	50%	PRC	Logistics services	50%
Jinzhou Port Container and Railway Logistics Limited (錦州港集鐵物流有限公司)	45%	PRC	Logistics services	45%
Angang Vehicle Transportation Co., Ltd.	20.07%	PRC	Transportation business	20.07%
China Shipping Container Lines Agency (Shenzhen) Co., Ltd.	100%	PRC	Shipping agency services	100%
Universal Logistics (Shenzhen) Co., Ltd.	100%	PRC	Shipping agency services	100%
China Shipping Container Lines Yinkou Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Qinghuangdao Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Lianyungang Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Longkou Company Limited	10%	PRC	Shipping agency services	100%

Name	Shareholding percentage to be sold	Place of incorporation	Principal business	Direct or indirect shareholding percentage sold by the Company
China Shipping Container Lines Zhejiang Company Limited	45%	PRC	Shipping agency services	100%
China Shipping Container Lines Jiangsu Company Limited	45%	PRC	Shipping agency services	100%
China Shipping Container Lines Quanzhou Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Fuzhou Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Shantou City Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Zhongshan Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Fangchenggang Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Zhanjiang Company Limited	10%	PRC	Shipping agency services	100%
China Shipping Container Lines Jiangmen Company Limited	10%	PRC	Shipping agency services	100%

Name	Shareholding percentage to be sold	Place of incorporation	Principal business	Direct or indirect shareholding percentage sold by the Company
China Shipping Container Lines Dongguan City Company Limited	10%	PRC	Shipping agency services	100%

(i) Background of the Sales Equity

The majority of the companies to be disposed (the "**Disposal Companies**") are engaged in the provision of shipping agency services. The principal businesses of the remaining Disposal Companies include shipping business, logistics services, transportation business, information services and petroleum procurement. CS Ports is a company incorporated in Hong Kong and principally engaged in the operation of container terminals.

(ii) Reasons for and benefits of the Equity Sales Agreements

As disclosed in the Letter from the Board in the Circular, as a result of the Restructuring, the Company will charter its vessels and containers to China COSCO but will retain its capabilities in crew management, ship management, maintenance, administrative, sales and support which are necessary to the liner services. In these circumstances, certain subsidiaries and associates companies of the Group, involving shipping agency and other related business, will not be able to maximise their business potential and profitability. On this basis, it was decided to dispose of them to China COSCO together with the chartering of vessels and containers.

Upon the expiry or termination of the Assets Lease Framework Agreement, the Company will either continue to own its container vessels and to charter them to China COSCO or other operators or continue to own, charter and/or operate the container vessels itself. According to the internal estimation made by the Company, although there are costs involved in reactivating the liner services, it would be commercially feasible to do so, if it chooses to, considering (i) the returns from the transactions under the Assets Lease Framework Agreement; (ii) the availability of third party services providers (including personnel) in the market; and (iii) the fact that the Company will retain other liner services capabilities as stated above.

Based on the above, in particular because the disposal of the Sales Equity would improve the operational efficiency and profitability of the Group with better resource allocation following the Assets Lease Framework Agreement, we concur with the Directors' view that the entering into of the Equity Sales Agreements is in the interests of the Company and its shareholders as a whole.

(iii) Conditions precedent of the Equity Sales Agreements

In general, completions of the sales of the Sales Equity are conditional upon the satisfaction of conditions including, but not limited to,

a. resolutions of the shareholders of the vendors and purchasers shall have been passed approving the transaction contemplated under the Equity Sales Agreements, respectively;

b. all necessary internal review and approval procedures having been completed in accordance with the effective articles of association of both parties under this agreement and applicable listing rules (where applicable);

c. all approvals from the decision-making bodies of the Disposal Companies having been obtained;

d. no material adverse change having occurred to the business, operations, assets, liabilities, etc. of the Disposal Companies since the Reference Date, save as disclosed by the vendors to the purchasers before the signing of the Equity Sales Agreements;

e. approval from the Anti-Monopoly Bureau of the MOFCOM in respect of China COSCO shall have been obtained;

f. the representations and warranties given by the vendors and the purchasers, respectively, remaining true and accurate;

g. no breach of the terms of the Equity Sales Agreements having occurred, and the declarations, representations and warranties given by the vendors and the purchasers respectively as set out therein remaining effective;

h. the vendors and the purchasers shall have performed or complied with, in all material respects, all of its undertakings and obligations required to be performed or complied with prior to Completion;

i. all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving China COSCO Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects; and

j. all necessary filings, approvals, consents and permits, including but not limited to those with or from competent state-owned assets supervision authority or its authorised agency, having been obtained in relation with all transactions under the Restructuring involving the Group, and no part of these transactions having been terminated, nor is there any occurrence of events of similar effects.

The vendors and purchasers shall be entitled to waive any of the conditions precedent to completion, either in whole or in part, with mutual consent or by written notice to each other. As at the Latest Practicable Date, the Company and/or its relevant subsidiary did not expect to waive any condition precedent under the Equity Sales Agreements.

For further details of the conditions precedent of each of the Equity Sales Agreements, please refer to the sub-section headed "Principal Terms – Conditions precedent" of each of the Equity Sales Agreements in the Circular.

(iv) Consideration for the Equity Sales Agreements

The consideration for the sales of the entire equity interests in CS Ports is approximately RMB7,632.4553 million, of which the consideration for the equity interests in CS Ports held by the Company and CS Hong Kong is approximately RMB3,739.9031 million and RMB3,892.5522 million respectively. The consideration was determined after arm's length negotiations between the Company, CS Hong Kong and COSCO Pacific with reference to (among others) the valuation of the same amount with a reference date of 30 September 2015.

The total consideration of the Offshore Agency Sales Equity and the Onshore Agency Sales Equity is approximately RMB1,184.13 million. Such consideration was determined after arm's length negotiations between the relevant parties with reference to (among others) the valuations of the same amount with a reference date of 30 September 2015.

Total consideration of the CS Ports Equity, Offshore Agency Sales Equity and Onshore Agency Sales Equity is approximately RMB4,924.03 million (the "**Disposal Consideration**").

(v) PRC valuation

The PRC valuation report issued by the PRC Valuer dated 11 December 2015 containing the valuation of the Sales Equity (the "**PRC Disposal Valuation Report**") has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the transactions under the Equity Sales Agreements. We have discussed the expertise of the PRC Valuer with its relevant staff members. We understand that the

PRC Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and the majority of persons in-charge of the valuation of the Sales Equity have over eight years' industry experience in conducting valuation exercises. We have also reviewed the terms of the PRC Valuer's engagement letter and noted that the purpose of the PRC valuation is to provide an opinion of value of the Sales Equity. The engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

In the course of our review, we have discussed with the PRC Valuer the methodologies, bases and assumptions adopted in the PRC Disposal Valuation Report.

Valuation methodologies and bases

Based on our discussion with the PRC Valuer and review of the PRC Disposal Valuation Report, we note that the valuation of the Sales Equity was based on the "asset-based approach". For the details of the asset-based approach, please refer to the section headed "2. Background of the Restructuring and structure of the Transactions – A. Equity Acquisition Agreements – (v) PRC valuation" above.

The Disposal Companies are operating in the various sectors, including shipping line; port-related services; freight forwarding business and logistics; information technology services; container repairment; and oil product trading. Given the assets and liabilities of the Disposal Companies are identifiable and easy to assess, it is therefore considered appropriate to adopt the asset-based approach on determining the value of the Sales Equity.

Under the asset-based approach, we note that, in performing the valuation for the Sales Equity, the PRC Valuer categorised the various groups of interests held by the Disposal Companies and applied what it considers the most relevant valuation methodology to value each group. These methodologies include, among others, market, income capitalisation (i.e. "income approach" as quoted in the PRC Disposal Valuation Report), discounted cash flow ("**DCF**") (i.e. "income approach using DCF for firm model" as quoted in the PRC Disposal Valuation Report) and cost (after adjusting values of certain assets by their replacement costs):

(a) For investments in listed companies, the appraised value is, in general, determined by multiplying (i) value per share, which is the 30-day weighted average trading prices before the appraisal date; and (ii) the number of shares to be held upon completion of the transaction under the respective Equity Sales Agreements. We note that the PRC Valuer is essentially using the prevailing market prices of the relevant shares as at the appraisal date to form the basis of determining the valuation of the listed companies.

(b) For certain unlisted companies and assets, the PRC Valuer valued the companies and assets based on (i) DCF; and (ii) income capitalisation methodologies. The PRC Valuer considers it appropriate to appraise the unlisted companies and assets with stable and predictable operating profit and cash flow by either DCF or income capitalisation, as future cash flow or income of the unlisted companies and assets can be reasonably estimated with confidence.

(c) For other unlisted companies and assets, the PRC Valuer adopted the market methodology, i.e. assestment of those companies and assets by making reference to the market values of companies and assets which are considered to be comparable.

Valuation assumptions

The key assumptions of such valuation, in general, are set out as follows:

- the target entity is transacted in an open market in order to achieve its market value, with willing and rational buyers and sellers in equal status in the competitive market, each having sufficient opportunity and time to obtain market information;
- no significant change to existing relevant laws, regulations and policies, the country's macroeconomic conditions, political, economic and social environment in the regions where the target entity operates, and no other unpredictable and force majeure which would cause significant adverse effects;
- the target entity is an ongoing business and operates continuously;
- the management of the target entity is conscientious and capable to maintain normal business operation of the target entity;
- the target entity is fully complying with all relevant laws and regulations, with no major non-compliance affecting the development and profitability of the target entity;
- the accounting policy of the target entity remains materially unchanged;
- the management style, business scope and strategic directions of the target entity remain materially unchanged;
- the interest rates, exchange rates, tax rates and regulatory charges have no significant change;
- key business model of the target entity remains the same; and
- no other force majeure or unforeseen factors occur which would have significant adverse impact on the business of the target entity.

Having discussed with the PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the Sales Equity, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Reference Date are in line with the market practice for valuation of similar businesses.

(vi) Cross-checking the results by price to earnings ratio of comparable companies

As a cross-check, we have carried out our own analysis to assess the Disposal Consideration. Given the diversity in nature of business of the Sales Equity, we have performed the analysis based on aggregate value of target entities of the Sales Equity given the disposals of the Sales Equity is a package deal and the Company cannot dispose certain target entities and retain others. The target entities of the Sales Equity can be categorised into the following segments:

(i) shipping line;

(ii) port-related services;

(iii) freight forwarding business and logistics;

(iv) information technology services;

(v) container repairment; and

(vi) oil product trading.

For the purpose of assessing the reasonableness and fairness of the appraised value of the Sales Equity, we have on a best endeavours basis reviewed a number of comparable companies which are principally engaged in one of the segments mentioned above (the "**Disposal Comparable Companies**"). The Disposal Comparable Companies have been selected based on the following criteria: (i) listed on the stock exchange in Hong Kong; and (ii) principally engaged in shipping line, port-related services, freight forwarding business and logistics, information technology services, container repairment or oil product trading. Based on such criteria, we have on a best endeavours basis identified 23 Disposal Comparable Companies, which provide a relevant benchmark for the purpose of assessing the Disposal Consideration. We consider the Disposal Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above. In general, P/E ratio of the Disposal Comparable Companies in the relevant segment are used for the computation of approximate assessed values, except for companies with no profit generated for the 12 months ended 30 September 2015 (or for 2014 if no such figure is available), where book value would be adopted. For each of the Disposal Comparable Companies, the P/E ratio is extracted from Bloomberg as at the Latest Practicable Date, except for the Company, China COSCO, COSCO Pacific, CS Development, COSCO International Holdings Limited (five of the

Disposal Comparable Companies) given the trading of shares of these companies suspended until the release of the announcement in relation to the Restructuring. We are of the view that the P/E ratio of these companies before suspension should be used in our analysis in order to separate the impacts of the Restructuring on share price of each of these companies.

Average P/E ratio is obtained for the Disposal Comparable Companies under each segment. The approximate assessed value (profit-based) of the Disposal Companies is based on (i) the profit attributable to equity holders for the 12 months ended 30 September 2015 (or for 2014 if no such figure is available) of each Disposal Company; (ii) the average P/E ratio of the Disposal Comparable Companies in the relevant segment; and (iii) the direct or indirect shareholding percentage to be sold by the Company. For companies which are loss-making for the 12 months ended 30 September 2015 (or for 2014 if no such figure is available), the approximate assessed value would be capped at its net asset value as at 30 September 2015 since P/E ratio is not applicable for comparison. We consider the approximate assessed value (asset-based) should be equivalent to the net asset value of the Disposal Companies.

Segments	**Assessed value (profit-based) calculated based on the average P/E ratios of the Disposal Comparable Companies** *(RMB'million)*	**Assessed value (asset-based) calculated based on the net book value of the Disposal Companies** *(RMB'million)*
Shipping line *(Note 1)*	1,993	835
Port-related services *(Note 2)*	2,126	3,229
Freight forwarding business and logistics *(Note 3)*	384	233
Information technology services *(Note 4)*	29	5
Container repairment *(Note 4)*	17	17
Oil product trading *(Note 4)*	27	31
Total approximate assessed value	4,576	4,350
Disposal Consideration		4,924

Notes:

1. Shipping line segment includes the following companies:
   - China Shipping Container Lines Dalian Co., Ltd.
   - China Shipping Container Lines Tianjin Company Limited
   - China Shipping Container Lines Qingdao Company Limited
   - China Shipping Container Lines Shanghai Co., Ltd.

- China Shipping Container Lines Xiamen Co., Ltd.
- Golden Sea Shipping Pte. Ltd.
- China Shipping Container Lines Zhejiang Company Limited
- China Shipping Container Lines Jiangsu Company Limited
- China Shipping Container Lines Fuzhou Company Limited
- China Shipping Container Lines Quanzhou Company Limited
- China Shipping Container Lines Lianyungang Company Limited
- China Shipping Container Lines Longkou Company Limited
- China Shipping Container Lines Qinhuangdao Company Limited
- China Shipping Container Lines Yinkou Company Limited
- China Shipping Container Lines Shantou City Company Limited
- China Shipping Container Lines Fangchenggang Company Limited
- China Shipping Container Lines Zhanjiang Company Limited
- China Shipping Container Lines Jiangmen Company Limited
- China Shipping Container Lines Zhongshan Company Limited
- China Shipping Container Lines Dongguan City Company Limited
- Shanghai Puhai Shipping Co., Ltd.
- Universal Shipping (Asia) Company Limited

2. Port-related services segment includes China Shipping Ports Development Co., Ltd.

3. Freight forwarding business and logistics segment includes China Shipping Container Lines Guangzhou Co., Ltd., China Shipping Container Lines Shenzhen Co., Ltd., China Shipping Container Lines Hainan Company Limited, Dalian Vanguard International Logistics Co., Ltd., Jinzhou Port Container and Railway Logistics Limited, Angang Vehicle Transportation Co., Ltd., China Shipping Container Lines Agency (Hong Kong) Co., Limited, China Shipping Container Lines Agency (Shenzhen) Co., Ltd. and Universal Logistics (Shenzhen) Co., Ltd.

4. China Shipping Container Lines (Dalian) Data Processing Co., Ltd., China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd. and China Shipping (Singapore) Petroleum Pte. Ltd. are included in the information technology services segment, container repairment segment and oil product trading segment respectively.

5. The financial figures we based on are from audited reports of each of the Disposal Companies under the HKFRS or the PRC GAAP. In respect of our analysis, we are of the view that the differences in the accounting standards should not have a material impact.

Based on the above table, the range of the approximate assessed value is from approximately RMB4,350 million to approximately RMB4,576 million. The Disposal Consideration of approximately RMB4,924 million is above the approximate assessed value (profit-based and asset-based) of the Disposal Companies, on such basis, the Disposal Consideration is somewhat favourable to the Company.

(vii) Non-competition under the CS Ports Sales Agreement

Pursuant to the CS Ports Sales Agreement, the Company and CS Hong Kong have agreed that, each of them will not, and undertakes to procure each of their affiliates will not, on or before the second anniversary of completion of the transaction under the CS Ports Sales Agreement, engage in, or be directly or indirectly interested in any entity that engages in, the business of management and operation of terminals or ports. This shall not prohibit the Company and CS Hong Kong and their respective affiliates from continuing to hold its existing interest in any entity that engages in the continuing business of management and operation of terminal or ports.

As discussed in the sub-section headed "Equity Acquisition Agreements – Reasons for and benefits of the Equity Acquisition Agreements" above, the Company will gradually shift into a comprehensive financial service platform focusing on the shipping industry with leasing business as its core business after the Completion.

It is noted that, after the Restructuring, the Company has decided to strategically suspend the port operation business for a period of two years after the completion of the transactions contemplated under the CS Ports Sales Agreement, taking into account (i) the current market environment of the port operation business; (ii) the traditional asset-based nature of the port operation business, which deviates from the Company's strategic positioning in the future; and (iii) the prolonged investment cycle in port-based assets, which may affect the return on investment of the Company.

Based on the reasons stated above and given the limited time of two-year period of the non-competition undertaking, we concurred with the Directors' view that the Company will be able to maintain sufficient flexibility to decide on its business operation in terms of long-term development and therefore such arrangement is acceptable.

C. Assets Lease Framework Agreement

Term

The initial term of the Assets Lease Framework Agreement will expire on 31 December 2025.

Parties

The Company (as the Lessor) and China COSCO (as the Lessee).

Subject matter

The Company has agreed to charter and lease (excluding finance leasing) vessels and containers to China COSCO and/or its subsidiaries and associates.

Pricing policy

Prices of lease of vessels and containers shall be based on fair market consideration based on arm's length negotiations between the parties.

(i) Background and reasons for the Assets Lease Framework Agreement

Although China has moved up to the second place in the world in terms of its shipbuilding capability, China's shipping-related financing is still at its early developing stage with substantial market development potential. Furthermore, national and local policies have been put in place to support the development of shipping-related financing business. Compared with the container liner business, vessels chartering business is less susceptible to the seasonality and price fluctuations of the global container shipping market. Charter contracts with a relatively long chartering terms, particularly for those vessels with a high shipping capacity, can ensure stable cash flows.

Given (i) the fleet of vessels and containers owned by the Company; (ii) the extensive experience accumulated by the Company in the shipping industry and its understanding of the markets; (iii) the overall position of CS Company in the shipping industry chain; and (iv) the long-term cooperative relationship established between the Company and banks and other financial institutions, the Company will be engaged in the vessels chartering business in a more professional and comprehensive manner, providing customers with one-stop services including ship chartering, container chartering, crew management, vessel management, repair and logistics network.

Considering that (i) upon Completion of the Restructuring, the Company will focus on shipping-related financial services and will not be heavily involved in the shipping business; and (ii) vessels and containers owned and chartered in by the Company would not be fully utilised subsequent to the Restructuring, it is beneficial for the Company to enter into the Assets Lease Framework Agreement in order to achieve economic and operational efficiency.

(ii) Pricing

As disclosed in the Circular, there are three types of vessels to be leased out, (i) self-owned vessels; (ii) chartered-in vessels; and (iii) other vessels. As regards container leasing, the Company has three categories of containers involved, which are (i) self-owned containers; (ii) containers under sale-and-lease back arrangements; and (iii) containers leased from third parties. Different categories of vessels and containers are subject to different lease arrangements which will be discussed below.

In terms of pricing, the Company and China COSCO have jointly engaged an independent shipping consultant, Drewry, to advise on the lease rate and lease period of vessels and containers based on the market price of vessels and container leasing for the past three years. Drewry is a leading international provider of research and consulting services to the maritime and shipping industry, analysing the world's maritime markets for over 40 years. We obtained and reviewed brochures of Drewry. We also performed research on its background to confirm our understanding based on the information in the credentials provided by them. We have discussed with Drewry the methodologies and assumptions involved in the computation of lease rates. As advised by Drewry, the market approach was adopted in determining the lease rates for both vessels and containers, with data based on its research database with relevant market information of the industry. As advised by Drewry, their research team has been established over 40 years in the industry and market information is collected regularly through various ways including market reports, brokers' reports and brokers' relationships etc. Drewry's calculations are based on the fleet and profile of vessels and containers. We have reviewed the calculations of lease rates by Drewry and details of the computations are set out below.

Self-owned vessels

For self-owned vessels, the lease rates are determined based on (i) the initial value, which is the current market value of vessels; (ii) residual value of vessels at the end of the lease period; (iii) the internal rate of return of vessel leasing; (iv) lease periods; and (v) daily operating expenses.

Initial value represents the current market value of vessels. It is based on the current valuation of vessels according to the current market conditions. The valuation of vessels is guided by value of the latest transaction for similar vessel in terms of age, size and specifications. Adjustments are necessary if no comparable transactions are available for the particular kinds of vessels, based on the most similar market transaction. Newbuilding price and lease rate in the charter market would be referenced to in determining the value of larger vessels, which may not be commonly found in the market. Drewry has also made reference to the information obtained from open enquiries in the sale and purchase market for similar vessels and their asking prices. Residual values of vessels at the end of the lease period are generally based on historical prices of similar vessels in the second hand market. For larger vessels which are not actively traded in the market, the residual value is calculated by the straight line depreciation on the relevant current market value.

The internal rate of return has taken into account of, among others, the historical average of listed vessel leasing companies and the Company's actual cost of debt. We have reviewed the comparison prepared by Drewry between the internal rate of return and the rate of return of listed vessel leasing companies, the internal rate of return is considered to be acceptable.

The duration of the lease depends on the age and size of vessels. Advised by Drewry, larger vessels have charter periods from five to ten years in general. The charter periods for smaller vessels vary from one to four years. For the purpose of calculation of lease rates, 10-year period is adopted for relatively large vessels and 5-year lease period is adopted for relatively small vessels.

Daily operating expenses involved in vessels are on the basis of the Company's projected vessel operating and administration expenses. The Company projected costs to be incurred during the lease periods are based on the actual costs incurred in current year. Vessel operating expenses mainly composed of costs of manning, repairs and lubricants, administration expenses mainly include staff-related expenses.

Self-owned vessels are divided into different groups according to their container carrying capacities and ages. A uniform internal rate of return is applied to all groups of vessels. The market lease rate for each group of vessels would be calculated based on the internal rate of return, the initial and residual value of vessels and the applicable lease period. An off-hire period of 10 days is applied in the calculation for all groups of vessels in accordance with industry norm for dry-docking, overhaul, maintenance and repairs to the vessels. As the initial and residual value of vessels and lease period vary from group to group, market lease rate for each group is different from one another. The estimated operating expenses to be incurred by the Company during the lease period would be added to the calculated market lease rate to arrive at the final figure for the lease rate of self-owned vessels (the "**Self-owned Vessels Lease Rates**").

Advised by Drewry, the Self-owned Vessels Lease Rates are compared to the market lease rates in the past three years as a cross-check. We have reviewed the comparison and noted that the Self-owned Vessels Lease Rates are higher than the market average rates for some groups, mainly due to eco-engines installed in some vessels of those groups. According to Drewry, direct comparison with similar vessels is not extremely meaningful as vessels' specifications vary from one another. Variance in lease rates is also attributable to the difference in lease periods. The estimated revenue from lease of self-owned vessels using the Self-owned Vessels Lease Rates is approximately US$665 million, which is close to the estimated revenue of approximately US$666 million calculated by taking the market average rates of similar vessels size and age in the past three years into consideration, indicating the Self-owned Vessels Lease Rates are comparable to market rates as a whole.

Having considered the above, we concur with Drewry's view and consider the calculation of Self-owned Vessels Lease Rates adopted by Drewry is reasonable and in line with the industry practice.

Chartered-in vessels

The Company has been leasing vessels from third parties for operation of shipping business. The Company shall make efforts to procure an early surrender of the charter, or obtain the consent of the original owner to sub-charter the vessels to China COSCO, with the sub-charter agreement on the same terms and conditions as the original charters. For such sub-chartered vessels, upon the expiry of the charters, China COSCO shall return (through the Company) the vessels to the original owner at the time and location to be determined at the discretion of China COSCO, subject to the provisions of relevant charter agreements. Taking into account that the Company will be able to sub-charter on the same terms and conditions as the original charters, it is considered that such terms are acceptable.

Other vessels

The arrangement in respect of other vessels of the Company, such as those chartered out by the Company and vessels under construction, shall be determined through negotiations under the principles agreed for self-owned vessels and chartered-in vessels as mentioned above subject to the terms and conditions of the existing charter agreements, and is therefore acceptable.

Self-owned containers

For self-owned containers, the proposed lease rates are calculated by Drewry based on (i) current market values of containers; (ii) residual values at the end of the duration for the leases; (iii) internal rate of return; and (iv) lease periods. According to the container shipping asset leasing strategy report prepared by Drewry as set out in Appendix V of the Circular, based on Drewry's calculations, the annual lease payment for self-owned containers is approximately US$53.8 million in 2017, and based on such calculation arrived a lease rate per twenty-foot equivalent unit ("**TEU**") per day.

Current market values and residual values of containers are estimated by Drewry based on transactions and data within database of Drewry. As the database would be regularly updated based on the latest market information, the estimation approach is considered to be fair. Internal rate of return is referenced to the historical average of the weighted-average cost of capital (the "**WACC**") of some leading listed container leasing companies, we have reviewed the comparison prepared by Drewry between the internal rate of return and the WACC of some leading listed container leasing companies, the internal rate of return is considered to be reasonable. The longest lease period is assumed to be five years in calculating the lease rate which is in line with the market practice. Shorter lease periods would be applied to containers according to the ages.

Given that the approach and assumptions rely mostly on market and industrial information, we concur with Drewry's view and consider the calculation of the lease rate for self-owned containers adopted by Drewry is reasonable and in line with the industry practice.

Containers under sale-and-lease back arrangements

For containers under sale-and-lease back arrangements, the proposed lease rate advised by Drewry is an average of (i) the current market rent; and (ii) the average market rent in the past three years. The market data is extracted from the database of Drewry. Given that the proposed lease rate is slightly above the current market rent, the proposed lease rate is considered to be favourable to the Company.

Containers leased from third parties

The Company shall endeavour to obtain the consent of the owners to replace the existing lease agreements with new ones entered into directly with China COSCO on terms and conditions substantially the same as the existing agreements. Taking into account that the Company will be able to replace the leases substantially on the same terms and conditions as the original leases, it is considered that such terms are acceptable.

(iii) Internal control procedures

As disclosed in the Circular, the Company will implement the following procedures to ensure that the terms offered to China COSCO will be in line with the framework set out in the Assets Lease Framework Agreement:

(a) for self-owned vessels and containers, the executives of relevant business of the Company will cross-check with the container shipping asset leasing strategy report prepared by Drewry to ensure that the lease rate calculated by Drewry has been adopted in the specific agreements where applicable;

(b) for chartered-in vessels and containers, the executives of relevant business of the Company will cross-check with the relevant agreements signed with the original owners to ensure that the terms and conditions in the sub-charter agreements are generally the same as those in the original charter agreements; and

(c) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

Having considered that the measures are to monitor the pricing of the transactions, we are of the view that there exist appropriate internal control measures in the Company to safeguard the interests of the Company and the Shareholders.

(iv) Basis to the proposed annual caps

The proposed annual caps for vessels chartering and containers leasing for the three years ending 31 December 2016, 2017 and 2018 are US$1,115 million, US$1,201 million and US$1,272 million respectively. The proposed annual caps are determined by the Directors after taking into a buffer with reference to (i) the market vessels chartering standards for other ship chartering business of similar tonnage vessels and similar tenor and the market lease rates of containers; (ii) estimated market fluctuation in terms of chartering price, lease rates and demands; and (iii) prevailing market rate determined by Drewry.

The proposed annual caps are composed of vessels chartering fees and containers leasing fees. Set out below are the fees for vessels chartering and containers leasing computed by the Company for the three years ending 31 December 2016, 2017 and 2018, together with the key factors contributing to the fixing of the proposed annual caps for vessels chartering and containers leasing.

	For the year ending 31 December 2016 *US$'million*	For the year ending 31 December 2017 *US$'million*	For the year ending 31 December 2018 *US$'million*
Vessels chartering	945	1,013	1,107
Containers leasing	170	188	165
Total annual caps	1,115	1,201	1,272

Vessels

Chartering fees for self-owned vessels are calculated with the lease rate advised by Drewry for the respective container carrying capacity of vessels based on the current fleet profile of the Company, assuming that the charter period for self-owned vessels will start on 14 March 2016 and an off-hire period of 10 days each year from 2017 to 2018 in accordance with industry norm.

As for chartered-in vessels, the chartering fee is based on (i) the lease rates under current lease agreements entered into between the Company and the ship owners; and (ii) number of days under chartering period in the respective year.

For both self-owned vessels and chartered-in vessels, it is assumed that the chartering would start on 14 March 2016 for the calculation of year 2016.

Containers

Lease payments for self-owned containers and containers under sale-and-lease back arrangements are computed based on the pricing mechanisms mentioned in the sub-section headed "(ii) Pricing – Self-owned containers" and "(ii) Pricing – Containers under sale-and-lease back arrangements" above, and current profile of containers.

For containers leased from third parties, the annual lease payments for 2016, 2017 and 2018 are calculated based on (i) the average lease rate incurred in 2015; (ii) the average capacity of containers to be leased from third parties each year. The average lease rate is derived from the estimated lease payment to be incurred in 2015. We are informed by the management of the Company that the capacities of containers are estimated by them with reference to the current lease profile and their plans to renew certain lease agreements.

For all categories of containers, it is assumed that the lease period starts on 14 March 2016, which the same applies to the calculation of vessels chartering caps. As advised by the Company, unlike vessels chartering, no off-hire period is assumed for containers leasing, which is in line with industry practice. The caps are calculated on a 365-day basis for years 2017 and 2018.

Providing that the pricing for vessels chartering and containers leasing is fair and reasonable, the Group would benefit from the cash flows resulted from the chartering and leasing business under the arrangements of the Assets Lease Framework Agreement if the proposed annual caps are tailored for the current and expected profile and structure of the vessels and containers to be held by the Company. The calculations of the proposed annual caps allow full utilisation of vessels and containers. Overall, we consider that the proposed annual caps have been set by the Company with due care and are fair and reasonable.

(v) Duration of the Assets Lease Framework Agreement

The initial term of the Assets Lease Framework Agreement will expire on 31 December 2025. As advised by Drewry, lease periods of vessels vary according to the containers' carrying capacities. According to Drewry research database, lease periods for smaller vessels with TEU below 9,000 are mostly within five years. Lease periods of larger vessels with TEU between 9,000 and 11,000 are generally in a range from five to ten years, vessels with capacities over 11,000 TEU usually have charter periods over 10 years. In relation to lease periods of containers, as advised by Drewry, lease periods are up to five years, depending on ages of containers. As such, it is normal business practice for lease agreements of vessels and containers to be of duration over three years, in particular, for larger vessels and containers with longer remaining useful lives.

To minimise the cyclical risks, the Company has entered into a long-term leasing agreement with China COSCO. It allows stable cash inflows to the Group and ensures full utilisation of vessels and containers throughout the term.

On the basis of the above, we consider a period longer than three years is required for the Assets Lease Framework Agreement, and it is normal business practice for contracts in the nature of the Assets Lease Framework Agreement to be of such duration.

D. The Financial Services Provision Framework Agreement

Term

The initial term of the Financial Services Provision Framework Agreement will expire on 31 December 2016. Upon expiration of the initial term, such agreement shall automatically be extended for additional three years unless one party delivers a notice of termination in writing to the other party at least three months in advance prior to expiration of such term, save for subject to the relevant requirements under the Listing Rules, including the obtaining of Independent Shareholders' approval, if required.

Parties

The Company and CS Company.

Subject matter

The Group may provide certain financial services to CS Group and/or its associates, in particular the Group shall procure CS Finance to provide CS Group and/or its associates with a range of financial services including (i) deposit services; (ii) credit services; (iii) settlement services; (iv) foreign exchange services; and (v) other financial services as approved by CBRC.

For credit services and foreign exchange services, such transactions, together with their proposed annual caps for the year ending 31 December 2016 is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(i) Background and reasons for the Financial Services Provision Framework Agreement

As a member of both the Group and CS Group, it is believed that CS Finance is able to provide more efficient deposit, loan and settlement services to the CS Group, as compared to independent third-party banks for the reason that CS Finance is more familiar with CS Group's business and is able to provide funds required by CS Group in a more efficient and timely way.

Given CS Finance will become a non-wholly owned subsidiary of the Company after the Restructuring, it is beneficial to the Company for CS Finance to increase its capital size for the purpose of developing its financial business and capital operation through absorbing capitals from CS Group and also to increase profits for the Group through providing loan and settlement services to CS Group by means of charging loan interests or other fee income.

As the pricing terms of credit services and foreign exchange services contemplated under the Financial Services Provision Framework Agreement available for CS Group provided by CS Finance shall be no more favourable than those offered by major and independent PRC commercial banks and the fees charged by any independent third party respectively, CS Finance will not provide any benefit to CS Group through lower cost of financing and lower service fees.

Given that (i) CS Finance is principally engaged in the provision of financing services to its related parties and labour unions of those related parties; and (ii) the arrangements bring additional income to CS Finance and improve profitability of the Group, we consider the entering into the Financial Services Provision Framework Agreement is in the interests of the Company and the Shareholders as a whole.

(ii) Pricing

Set out below are the major pricing terms of credit services and foreign exchange services to be provided by CS Finance.

Credit services:

CS Finance shall provide credit services (including, among others, loan, guarantee, bills discounting, bills acceptance and finance leasing services) to CS Group at interest rates not lower, and thus no more favourable, where applicable, than (a) the loan benchmark interest rate set by the PBOC from time to time for such types of loan; and (b) the interest rate or charging rate offered by the major and independent PRC commercial banks in the service place or adjacent areas in the normal course of business for such types of loans.

As CS Finance is to provide credit services under the Financial Services Provision Framework Agreement at interest rates no more favourable to CS Group than the loan benchmark interest rate set by the PBOC and those offered by the major and independent PRC commercial banks, we consider it fair and reasonable so far as the Shareholders are concerned.

Foreign exchange services:

CS Finance shall provide foreign exchange services to CS Group at fee rates not lower, and thus no more favourable, than (a) the lower limit (if applicable) of the fees stipulated by PBOC to be charged for the same type of services; (b) the fees charged by any independent third party for the same type of services; or (c) the fees charged by CS Finance for similar type of services on any independent third party with the same credit rating.

As CS Finance is to provide foreign exchange services under the Financial Services Provision Framework Agreement at terms no more favourable to CS Group than terms imposed by/available to independent third parties given foreign exchange services could be obtained from party other than banks, we consider it fair and reasonable so far as the Shareholders are concerned.

(iii) Internal control procedures

As disclosed in the Circular, the Company will implement the following procedures to ensure the terms offered to the relevant connected parties are no more favourable than those available to other independent third parties:

(a) the executives of relevant business of CS Finance will review contemporaneous prices and other relevant terms offered by at least two commercial banks, all being independent third parties, operating at the same or nearby area before the commencement of the relevant transaction, and ensure the terms offered to the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties; and

(b) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

As advised by the management of CS Finance, CS Finance has the following procedures in place in order to ensure protection of the interests of CS Finance:

(a) CS Finance shall strictly comply with the applicable risk management specifications issued by the CBRC and the relevant PRC laws and regulations as amended from time to time;

(b) CS Finance has a corporate governance structure with internal rules and policies specifically for management and control of operational risk and default risk;

(c) CS Finance has established its own credit policies and credit approval procedures for loan applications which are designed in accordance with the relevant PBOC and CBRC regulations and CS Finance has its own discretion in relation to credit approvals;

(d) internal audit department shall review CS Finance's internal control procedures for their existence and effectiveness, and monitoring the approval procedures for approving and extending loans;

(e) CS Finance has intra-group check-and-balance mechanisms to identify operational bottlenecks and irregularities and to deal with any problems in a timely and effective manner; and

(f) the supervision department of CS Finance will periodically review and inspect the process of the relevant continuing connected transactions.

Moreover, the following additional internal control measures are expected to be adopted by CS Finance in relation to the credit service to be provided by CS Finance pursuant to the Financial Services Provision Framework Agreement:

(a) it is expected that the amount of deposits placed by CS Group with CS Finance would be more than the amount of outstanding loans extended by CS Finance to CS Group, both amounts being calculated on a regular basis, and CS Group and its associates will be treated as one party in this regard;

(b) CS Finance shall at all times monitor its default risk. If (i) any specific situation arises which may adversely affect the loans extended by CS Finance to CS Group; or (ii) any other circumstances occur, which may cause serious concern to such loans, CS Finance shall give written notice to the Company and the Group within a reasonable period of time after the occurrence of such situations or circumstances, and take measures to avoid any losses. Once being notified, CS Finance has the right to demand repayment of the loans (including accrued interest) forthwith, or if it is unable to do so, it may lawfully set off the loans (including accrued interest) extended by CS Finance with CS Group against the outstanding deposits (including accrued interest) placed by CS Group with CS Finance; and

(c) CS Group will fully compensate any loss suffered by CS Finance due to the default in payments by any members of CS Group.

The aforementioned internal control and risk management measures will enable the Group to monitor and manage the counterparty risk of CS Finance.

Having considered the Company's internal control procedures, in particular, (i) CS Finance may lawfully set off the loans placed by CS Group against the outstanding deposits placed by CS Group; (ii) the undertaking of CS Group to compensate CS Finance for any losses caused by any members of CS Group due to default in payments of loans, we concur with the Directors' view that CS Finance's internal control procedures are appropriate and provide sufficient assurance that the interests of CS Finance will be safeguarded.

(iv) Basis to the proposed annual caps

In general, the proposed annual caps are determined based on the following factors, including (i) historical transaction amounts between the Group and CS Group and/or its associates; (ii) expansion of business of CS Finance; and (iii) the expected financing demands of CS Group and/or its associates.

In particular, (i) the significant increase of the proposed annual cap of the credit services as compared with that of its historical amount is primarily due to the increased need of temporary liquidity demands by CS Development Group as a result of a large amount of short term liabilities payable; and (ii) the significant increase of the proposed annual cap of the foreign exchange services as compared with that of its historical amount is primarily due to the increased need of foreign exchange services to convert revenue denominated in foreign currency by CS Development Group as a result of the expected growth of operations and the expected fleet expansion in the coming years.

Credit services

Set out below is a summary of the historical transaction amounts in respect of the provision of loan service between CS Finance and CS Group and/or its associates for the three years ended 31 December 2012, 2013 and 2014, and the maximum daily outstanding balance of loans (including accrued interest and handling fee) in respect of the provision of loan service by the Group to CS Group and/or its associates for the year ending 31 December 2016.

Historical transaction figures (RMB) for the			Annual cap (RMB) for
Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	the Year ending 31 December 2016
4,957,595,106	5,293,303,586	3,954,492,084	10,500,000,000

In assessing the reasonableness of the proposed annual cap, we have discussed with the management of the Group the basis and assumptions in setting the proposed annual cap. As advised by the management of the Group, the increment of the proposed annual cap for the year ended 31 December 2016 by approximately RMB6.5 billion, as compared to the historical transaction figures for the year ended 31 December 2014, is primarily due to the need of credit services by CS Development Group, which is also controlled by the CS Group under the Listing Rules.

According to the circular of CS Development dated 12 November 2015 (the "**CS Development Circular**") in relation to, among others, the financial service agreement entered into between CS Finance and the CS Development Group, set out below is a summary of historical figures of the maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by CS Finance to the CS Development Group for the two years ended 31 December 2014 and the six months ended 30 June 2015, and the proposed annual cap for maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by CS Finance to the CS Development Group for the year ending 31 December 2016:

Historical transaction figures (RMB) for the			Annual cap (RMB) for
Year ended 31 December 2013	Year ended 31 December 2014	Six month ended 30 June 2015	the Year ending 31 December 2016
1,673,000,000	2,436,000,000	1,423,000,000	7,000,000,000

As demonstrated in the table above, CS Development has a strong demand for credit services from CS Finance in 2016. The annual cap proposed by CS Development for the credit services for the year ending 31 December 2016 increased by over RMB5.5 billion as compared with the historical figure for the six-month ended 30 June 2015. As disclosed in the 2015 interim report of CS Development, the CS Development Group has RMB23,979.2 million bank borrowings and RMB4,976.5 million corporate bonds payable outstanding as at 30 June 2015. Among them, bank loans of RMB4,213.7 million are payable within one year or on demand and corporate bonds will also incur interest payment annually. As elaborated in the CS Development Circular, such short term liabilities would pose liquidity risk on CS Development, and CS Development would require CS Finance to finance temporary liquidity demands. Based on the above, we concur with the Group's view to increase the annual cap for the year ending 31 December 2016, in order for CS Finance to satisfy CS Development's need of credit services, and to generate more interest and fee income with compliance to the internal control measures adopted by CS Finance.

Moreover, given the increased capital size from the deposit services with CS Group by approximately RMB6 billion, CS Finance would need a corresponding increase in the annual cap for credit services, so that CS Finance could utilise the deposit to be taken and provide more credit services to CS Group, and hence generate more profits for the Group by means of charging loan interests or other fee income. On such basis, we consider the proposed annual cap for the credit services is acceptable.

Foreign exchange services

Set out below is a summary of the historical transaction amounts in respect of the provision of foreign exchange services between CS Finance and CS Group and/or its associates for the three years ended 31 December 2012, 2013 and 2014, and the annual cap in respect of the provision of foreign exchange services by the Group to CS Group and/or its associates for the year ending 31 December 2016.

Historical transaction figures (RMB) for the			**Annual cap (RMB) for the**
Year ended 31 December 2012	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**Year ending 31 December 2016**
293,794,644	1,831,684,583	2,898,272,502	4,500,000,000

In assessing the reasonableness of the proposed annual cap, we have discussed with the management of the Group the basis and assumptions in setting the proposed annual cap. As advised by the management of the Group, the increment of the proposed annual cap for the year ended 31 December 2016 by approximately RMB1.6 billion, as compared to the historical transaction figures for the year ended 31 December 2014, is primarily due to the need of foreign exchange services by CS Development.

Pursuant to the CS Development Circular, set out below is a summary of historical figures of the maximum amount of foreign exchange transacted for the two years ended 31 December 2014 and the six months ended 30 June 2015, and the proposed annual cap for maximum amount of foreign exchange to be transacted for the year ending 31 December 2016:

	Historical transaction figures for the			Annual cap for the
	Year ended 31 December 2013	Year ended 31 December 2014	Six month ended 30 June 2015	Year ending 31 December 2016
US$	152,800,000	191,000,000	12,000,000	600,000,000
Equivalent to approximate RMB	987,088,000	1,233,860,000	77,520,000	3,876,000,000

As demonstrated in the table above, CS Development has a strong need for foreign exchange services from CS Finance in 2016. The annual cap proposed by CS Development for the foreign exchange for the year ending 31 December 2016 increased by approximately RMB2.6 billion as compared with the historical figure for the year ended 31 December 2014. As set out in the CS Development Circular, the CS Development Group expects the capital needs to be increased in the near future taking into account the expanding international operations of CS Development. The shipping capacities of CS Development for the three years ending 31 December 2018 are estimated to be approximately 17 million deadweight tonnes, 18 million deadweight tonnes and 19 million deadweight tonnes respectively. This will increase CS Development's demand for foreign exchange services.

With the expected growth of operations and the expected fleet expansion, the CS Development will require foreign exchange services to convert revenue denominated in foreign currency (usually in US dollars) into RMB in order to fulfil its operational related requirements which may include bunkering, dry docking, payment of crew cost and wharfage charge. According to the CS Development Circular, approximately half of the operating costs of the CS Development Group are paid or payable in US dollars in the first half of 2015. Therefore, there will be a surplus of US dollars arising from the CS Development Group's operation. The CS Development Group will need further foreign exchange services to handle the mismatch in the amount of foreign revenue and operating costs. In the same regard, CS Finance will also need a higher proposed annual cap than historical amount, to facilitate the provision of more foreign exchange services to CS Development.

In addition, given CS Finance shall provide foreign exchange services to CS Group at fee rates no more favourable than the fees charged by/available to any independent third party for the same type of services, the more frequent the foreign exchange services are provided to CS Group, the more the fees to be received by CS Finance. The proposed annual cap would facilitate the frequent transactions between the Group and CS Group, as a result of the expected rapid growth and development of the Group upon restructuring, being a comprehensive financial service platform focusing on the shipping industry with leasing business as its core business after the Completion. Therefore, we consider the proposed annual cap for the foreign exchange services is acceptable.

Annual review of the transactions to be carried out pursuant to the Assets Lease Framework Agreement and the Financial Services Provision Framework Agreement

Transactions to be carried out under, among others, the following agreements are subject to annual review:

1. Assets Lease Framework Agreement; and

2. Financial Services Provision Framework Agreement – credit services and foreign exchange services.

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions to be carried out pursuant to the agreements above (the "**CCT Transactions**") are subject to the following annual review requirements:

(a) each year the independent non-executive Directors must review the CCT Transactions and confirm in the annual report and accounts that the CCT Transactions have been entered into:

  (i) in the ordinary and usual course of business of the Group;

  (ii) either on normal commercial terms or better; and

  (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days before the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the CCT Transactions:

  (i) have not been approved by the Board;

  (ii) were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material aspects, in accordance with the relevant agreement governing the CCT Transactions; and

(iv) have exceeded the proposed annual caps;

(c) the Company must allow, and ensure that the counterparties to the CCT Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the CCT Transactions as set out in paragraph (b). The Board must state in the annual report whether the Company's auditors have confirmed the matters stated in Listing Rule 14A.56; and

(d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements for the CCT Transactions, in particular, (a) the restriction of the values of the CCT Transactions by way of the proposed annual caps; and (b) the requirement under the Listing Rules for ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the CCT Transactions and the proposed annual caps, we are of the view that there exist appropriate measures to govern the conduct of the CCT Transactions and to safeguard the interests of the Independent Shareholders.

3. Financial effects of the Restructuring

Gain from disposal of the Sales Equity

As a result of the Restructuring, the Company will recognise the gains from sales of the Sales Equity, the gains, after deducting relevant taxes, are expected to be approximately RMB140.5 million. The Company will recognise such gains in its consolidated income statement as of the Sales Delivery Date.

Pro forma financial information

The unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular illustrates the effects of the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements on the Group.

(i) Profit attributable to the Shareholders

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of the Circular, profit attributable to the Shareholders for the year ended 31 December 2014 would increase significantly by approximately 156.6%, from approximately RMB1,044.0 million to approximately RMB2,678.5 million, mainly contributed by the revenue and earnings generated by the Financial Equity. The profit enhancement is considered to be in the interests of the Company and the Shareholders.

(ii) Equity attributable to the Shareholders

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of the Circular, the net assets value ("**NAV**") attributable to the Shareholders as at 30 June 2015 would slightly decrease by approximately 2.9%, from approximately RMB24,809.9 million to approximately RMB24,093.3 million. The NAV per Share would also decrease to the same extent, as there would be no change in the number of Shares before and upon Completion.

Given (i) the prospects of the Group and benefits of the Transactions as elaborated in the sections headed "Equity Acquisition Agreements – Reasons for and benefits of the Equity Acquisition Agreements" and "Equity Sales Agreements – Reasons for and benefits of the Equity Sales Agreements" above; (ii) the Acquisition Consideration and the Disposal Consideration are acceptable as analysed in the various sections under "Equity Acquisition Agreements" and "Equity Sales Agreements" above; and (iii) the profit generating ability would significantly improve as a result of the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements as demonstrated in the sub-section headed "Profit attributable to the Shareholders" above, we are of the view that the slight decrease in the pro forma NAV per Share immediately upon Completion is acceptable.

(iii) Gearing and liquidity

As of 30 June 2015, the gearing ratio (defined as total borrowings, including loans from and amounts due to related parties, corporate bonds, notes, bank and other borrowings and other payable and accruals, divided by total assets) of the Group was approximately 47.2%. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the gearing ratio of the Enlarged Group immediately upon Completion would have increased to approximately 58.8%, mainly as a result of (i) the Acquisition Consideration payable; and (ii) the borrowings as a result of the acquisition of the Financial Equity, partially offset by the asset enhancement as mentioned in the sub-section headed "Equity attributable to the Shareholders" above.

Given the advantages and reasons for the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements as discussed in the sub-section headed "Equity attributable to the Shareholders" above, we consider the increase of gearing ratio to be acceptable.

(iv) Dilution

The Acquisition Consideration will be settled by cash, and the Company will pay the Acquisition Consideration by applying its existing cash, bank loans and other resources, there would not be any issuance of new Shares as a result of the Transactions. Thus there would not be any dilution effect on earnings and NAV to existing Shareholders, which is considered to be in the interests of the Company and the Shareholders.

DISCUSSION AND ANALYSIS

Independent Shareholders should consider the Transactions based on the principal factors and reasons set out in details above and summarised below:

1. Strategic move for the Group

SASAC has granted its approval in principle of restructuring of CS Group and COSCO Group, currently concerning the business of container shipping, vessel leasing, oil shipping, bulk shipping and financial sectors. After the restructuring, the Company will transform from the original container transportation platform into an integrated professional shipping and financial services platform. The Company will be developing into a financial services platform – to provide diversified financial services focusing on the shipping industry with leasing business. The Company will leverage CS Group's huge asset size and extensive industry experiences, and fully utilise its comparative advantages in network, talents and asset management capabilities to form core competitiveness in comprehensive financial services, and to build resilience to the cyclical fluctuations in the shipping industry.

Therefore, the targets of the Transactions involve:

- the Acquisition Companies, which are principally engaged in container leasing business, financial service business, investment holding, banking and insurance brokerage services. The Company will also acquire a minority interest in COSCO Finance, CIMC and CBHB; and

- the Disposal Companies, which are engaged in the provision of shipping agency services. The principal businesses of the remaining Disposal Companies include shipping business, logistics services, transportation business, information services and petroleum procurement. CS Ports is a company incorporated in Hong Kong and principally engaged in the operation of container terminals.

2. Considerations for the Equity Acquisition Agreements and the Equity Sales Agreements

The Acquisition Consideration shall be approximately RMB27,251.74 million, which will be settled by cash and the Company will pay the consideration of the Financial Equity by applying its existing cash, bank loans and other resources. The Acquisition Consideration was arrived by reference to (among others) the valuations of the Financial Equity. Having discussed with the PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the Financial Equity, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Reference Date are in line with the market practice for valuation of similar businesses. As a cross-check, we have carried out our own analysis to assess the Acquisition Consideration, the Acquisition Consideration falls towards the middle of the range of the approximate assessed value.

The Disposal Consideration shall be RMB4,924.03 million. The consideration was determined with reference to (amongst others) the valuation of the same amount with a reference date of 30 September 2015. Having discussed with the PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the Sales Equity, we are of the opinion that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Reference Date are in line with the market practice for valuation of similar businesses. As a cross-check, we have carried out our own analysis to assess the Disposal Consideration, the Disposal Consideration is above the approximate assessed value (profit-based and asset-based) of the Disposal Companies.

On such basis, we consider the Acquisition Consideration and the Disposal Consideration are acceptable.

3. Financial effects of the Restructuring

The Company will recognise the gains from sales of the Sales Equity, the gains, after deducting relevant taxes, are expected to be approximately RMB140.5 million. The Company will recognise such gains in its consolidated income statement as of the Sales Delivery Date.

Based on unaudited pro forma financial information of the Enlarged Group, upon the completion of the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements, profit attributable to the Shareholders would increase significantly by approximately 156.6%, which is considered to be in the interests of the Company and the Shareholders.

The NAV attributable to the Shareholders would slightly decrease by approximately 2.9%. The gearing ratio of the Group would also increase from approximately 47.2% to approximately 58.8%. Given the advantages and reasons for the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements, we consider decrease of NAV and increase of gearing ratio to be acceptable.

4. The Assets Lease Framework Agreement upon Completion

Upon Completion, the Company will become a financial services platform – to provide diversified financial services focusing on the shipping industry with leasing business. Considering that (i) upon Completion of the Restructuring, the Company will focus on shipping-related financial services and will not be heavily involved in the shipping business; and (ii) vessels and containers owned and chartered-in by the Company would not be fully utilised subsequent to the Restructuring, it is beneficial for the Company to enter into the Assets Lease Framework Agreement in order to achieve economic and operational efficiency. In terms of pricing, the Company and China COSCO have jointly engaged Drewry to advise on the lease rate and lease period of vessels and containers. We have discussed with Drewry the methodologies and assumptions involved in the computation of lease rates. The proposed annual caps are calculated primarily based on the pricing mechanisms advised by Drewry.

As advised by Drewry, it is normal business practice for lease agreements of vessels and containers to be of duration over three years, in particular, for larger vessels and containers with longer remaining useful lives. On the basis of the above, we consider a period longer than three years is required for the Assets Lease Framework Agreement, and it is normal business practice for contracts in the nature of the Assets Lease Framework Agreement to be of such duration.

5. The Financial Services Provision Framework Agreement upon Completion

Upon Completion, CS Finance will become a subsidiary of the Company. As a member of both the Group and CS Group, CS Finance is able to provide more efficient deposit, credit, foreign exchange, settlement and other financial services to the CS Group. Given that (i) CS Finance is principally engaged in the provision of financing services to its related parties and labour unions of those related parties; and (ii) the arrangements bring additional income to CS Finance and improve profitability of the Group, we consider the entering into the Financial Services Provision Framework Agreement is in the interests of the Company and the Shareholders as a whole.

In terms of pricing, the credit services to be provided by CS Finance are at interest rates no more favourable to CS Group than the loan benchmark interest rate set by the PBOC and those offered by the major and independent PRC commercial banks. The foreign exchange services will be provided by CS Finance at terms no more favourable to CS Group than terms imposed by/available to independent third parties. We consider the pricing of credit and foreign exchange services are fair and reasonable so far as the Independent Shareholders are concerned. The proposed annual caps for credit services and foreign exchange services, which have been set after taking into account the expansion of CS Finance and the expected rapid growth and development of the Group and CS Group upon restructuring, are acceptable. With the internal control procedures in place to safeguard the interests of CS Finance and the Group, we are of the view that the terms for credit services and foreign exchange services are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the Equity Acquisition Agreements and the transactions as contemplated thereunder; (ii) the Equity Sales Agreements and the transactions as contemplated thereunder; (iii) the Assets Lease Framework Agreement and the transactions and the proposed annual caps contemplated thereunder; and (iv) the credit services and foreign exchange services under the Financial Services Provision Framework Agreement and the proposed annual caps as contemplated thereunder are fair and reasonable and are on normal commercial terms, while the transactions contemplated under the Assets Lease Framework Agreement and the credit services and foreign exchange services under the Financial Services Provision Framework Agreement are in the ordinary and usual course of business of the Company, but the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements are not, the Transactions are in the interests of the Company and the Shareholders as a whole. We also consider that the duration of the Assets Lease Framework Agreement exceeding three years is required and is normal business practice for an agreement of this type. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine	**David Ching**
Chairman	*Director*

Mr. M. N. Sabine is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Entities and the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical facts, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the Enlarged Group's scale, nature, potential, future developments;
- the Enlarged Group's business, results of operations, anticipation financial matters of financial position;
- the Enlarged Group's future capital needs and capital expenditure plans;
- the strategies, plans, purpose, goals, implementation strategies, ability of achieving the plans, purpose and goals of the Enlarged Group;
- the Target Entities' strategies related to their respective business;
- the future development, trend and conditions of economy in the PRC;
- the regulatory environment and overall prospects in the PRC; and
- the general political and economic environment in the PRC.

When used in this circular, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group, the Target Entities and/or the Enlarged Group, are intended to identify forward-looking statements. Such forward-looking statements reflect the views of the management of the Group or the Target Entities (as the case may be) as of the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the Enlarged Group's ability to integrate all its businesses;
- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;
- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its expansion plans;
- the Enlarged Group's ability to stay abreast of market trends;

- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial condition, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licenses it requires to undertake its business operations;
- prospective financial information of the Enlarged Group; and
- other factors beyond CS Container's control.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the Target Entities and/or the Enlarged Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking statements. Moreover, the forward-looking statements should not be regarded as representations by CS Container that its plans and objectives will be achieved or realized. The forward-looking statements in this circular reflect the views of the management of CS Container as of the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, CS Container does not intend to update or otherwise revise the forward-looking statements in this circular, whether as a result of new information, future events or otherwise.

Please carefully consider the risk factors set out below and other materials set out in this circular. If any possible event set out below occurs, the Enlarged Group's business, financial condition, results of operations, and prospects may be adversely affected. The risks and uncertainties set out below are not the only risks confronting the Enlarged Group. Other risks and uncertainties that the Company is not aware of or deems as unimportant at present may also have an adverse effect on the Enlarged Group's business, financial condition, results of operations, and prospects.

RISKS RELATING TO THE EQUITY ACQUISITION AGREEMENTS

The completion of transactions contemplated under the Equity Acquisition Agreements is subject to the fulfillment of conditions precedent. The Company cannot assure you that such conditions precedent can be fulfilled and/or the transactions contemplated will be completed as contemplated

The conditions precedent to the completion of transactions contemplated under the Equity Acquisition Agreements as set out in the section headed "Letter From the Board – II. Equity Acquisition Agreements" in this circular involve the decisions of third parties, in particular, the relevant regulatory authorities. As fulfillment of these conditions precedent is not within the control of the contracting parties to the Equity Acquisition Agreements, the Company cannot assure you that these conditions precedent can be fulfilled and/or the transactions contemplated thereunder will be completed as contemplated.

The share price of the Company may fluctuate, which may lead to investment risks for the Company's existing Shareholders

If the transactions contemplated under the Equity Acquisition Agreements cannot be implemented, the share price of the Company may fluctuate, leading to potential investment losses for the Company's existing Shareholders. If such transactions can be successfully implemented, the share price of the Company may nonetheless fluctuate, resulting in potential investment losses to the Company's existing Shareholders.

There are integration risks involving the transactions contemplated under the Equity Acquisition Agreements

To successfully integrate the companies acquired under the Equity Acquisition Agreements, the Company needs to, among other things: (i) hire, train or retain competent staff; (ii) formulate and maintain standards, control, procedures and policies consistent to those of the Company; and (iii) retain the existing suppliers and customers of the companies acquired under the Equity Acquisition Agreements. If the expected benefits of the acquisitions thereunder cannot be realized or the relevant integration risks cannot be satisfactorily managed by the Enlarged Group, the Company may face risks including losing key employees, customers and/or significant relationship harm, and the financial condition and the results of operations of the Enlarged Group may be adversely affected.

The due diligence conducted by the Company on the companies to be acquired under the Equity Acquisition Agreements may be inaccurate or insufficient

The Company cannot assure you that the due diligence conducted by the Company prior to the acquisitions contemplated under the Equity Acquisition Agreements is able to comprehensively and fully capture the financial, business and other information of the companies to be acquired. As a result, the Company could (i) have made inaccurate assumptions regarding the operations of such companies, including the consistency of the regulatory framework in which such companies operate; and (ii) have made inaccurate assumptions regarding intangible assets, contingent liability, share capital and debt. Furthermore, the Company expects to pay significant consideration in relation to the Equity Acquisition Agreements, which increases pressure to raise funds and may lower flexibility in its further deployment of capital. All of the above factors may affect the market value of the Enlarged Group and lead to changes in the Enlarged Group's operation performance.

RISKS RELATING TO THE OVERALL BUSINESSES AND INDUSTRIES OF THE ENLARGED GROUP

The Enlarged Group comprises subsidiaries and investee companies operating in various industries, and therefore, is exposed to a wider variety of challenges

The Enlarged Group's subsidiaries and investee companies operate various businesses, including, among others, vessel leasing, container leasing, financial leasing, insurance brokerage, financial advisory and other services, banking and investment holding businesses. However, there may be internal resources that the Enlarged Group cannot effectively integrate, which may result in risks such as internal inefficiency and higher management costs, and in particular:

- The Enlarged Group needs a significant amount of resources to monitor the changes in different operating environments to implement its overall business strategies in response to the risks in relation to the business, the market and the regulation in the various industries in which the Enlarged Group operates. If the Enlarged Group does not effectively monitor these changes in the operational environment, the Enlarged Group's results of operations, financial condition and development prospects would be adversely affected;

- The Enlarged Group may face risks of managing and controlling the subsidiaries and investee companies. The Enlarged Group's operating success requires effective management. The Enlarged Group also prescribes financial policies for subsidiaries and investee companies, as well as performance incentives for management personnel. The business model results in management and control risks including business, finance, funds and human resources aspects;

- The Enlarged Group has no control over certain investee companies. The Enlarged Group's ability to manage and supervise certain investee companies mainly depends on its contractual rights under the relevant shareholders' agreements and its shareholder rights under relevant laws and regulations. Any dispute with other shareholders of an investee company of the Enlarged Group could have an adverse effect on such investee company's operation; and

- Any failure of the Enlarged Group's subsidiaries or investee companies to pay cash dividends could in turn have an adverse effect on the Enlarged Group's ability to pay dividends to its shareholders.

The Enlarged Group plans to further strengthen its cost control measures and increase its overall productivity and efficiency to engage in more projects and businesses with high return rates. However, the Company cannot assure you that these efforts will be successful, nor can it assure you that it will improve the profitability of the businesses in the future.

The Enlarged Group's business is subject to economic fluctuation in the industries in which it has operations

Certain business operations of the Enlarged Group rely on the overall activity level in the industries in which it operates and the relevant upstream and downstream industries. Volatility in the international financial markets, more cautious market sentiment towards corporate investment, slow-downs in the growth of market demand, and fluctuations in the prices of commodities, major raw material prices, and exchange rates of major currencies may affect the Enlarged Group's various businesses.

In addition, the Chinese government adjusts its monetary, fiscal and other policies and measures from time to time to manage economic growth or overheating and the excess capacity in a specific industry or market. Therefore, changes in China's overall economy or the industries in which the Enlarged Group operates may result in a lower-than-expected growth rate or even negative growth of the Enlarged Group. Such changes may also have an adverse effect on the Enlarged Group's business, results of operations and financial condition.

Intense competition in the markets in which the Enlarged Group has operations may lead to a decrease in market share and profitability

The Enlarged Group's businesses face intense competition in its operating markets. Competitors may have greater access to capital, technology, management and other resources than the Enlarged Group does, and may be capable of providing a wider range of services. These competitors may also merge or form joint ventures with the other domestic or foreign competitors, which may intensify the competition the Enlarged Group faces.

The Enlarged Group's market share depends on its ability to anticipate and respond to many competitive factors, including competitors' pricing strategy, change in customer preferences, funding and financing resources, introduction of new or improved technology, products or services in the related industries or markets. The Company cannot assure you that incumbent or potential competitors of the Enlarged Group will not provide similar products or services with comparable or even better quality at the same or even lower prices, or be more adaptable to industry trends or market changes. Increased competition may lead to lower prices, a decrease in profit margins and shrink of market share of the Enlarged Group.

The Enlarged Group may not effectively carry out the original business strategies of the acquired companies

The Enlarged Group has a broad business scope, covering various business segments and industries. The Enlarged Group's strategy implementation may vary from business to business. To ensure its success, the Enlarged Group needs to prescribe and implement business strategies accordingly. Following the acquisitions contemplated under the Equity Acquisition Agreements, the Company cannot assure you that it can execute acquired companies' original business strategies accurately and effectively. The Enlarged Group may not successfully integrate and operate the businesses or make the best judgment in conducting its businesses.

The Enlarged Group is subject to litigation and regulatory actions from time to time

The Enlarged Group may not be able to improve and adjust its business practice, management and code of conduct in response to the relevant changes in domestic and foreign laws and regulations in a timely manner. In addition, the Enlarged Group is subject to periodical inspections from Chinese and overseas regulatory authorities, and may subject to potential punishments, fines or other penalties imposed by such regulatory authorities. The Company cannot assure you that the relevant Chinese or overseas regulatory authorities will not impose punishments, fines or other penalties, or issue negative reports or opinion in the future which would have an adverse effect on the reputation, business, results of operations, financial condition of the Enlarged Group.

In addition, the Enlarged Group may be sued by customers or other third parties in relation to the Enlarged Group's newly-built facilities or products. The Enlarged Group attempts to mitigate against such risk of potential claims by introducing liability limitation, compensation guarantees and insurance clauses in the relevant contracts. These attempts may not bring sufficient protection due to factors beyond the control of the Enlarged Group, including:

- In various jurisdictions where the Enlarged Group has operations (including China), the Enlarged Group's potential legal liability in relation to environmental or labor matters is subject to applicable laws and regulations, which may not be limited by contracts;

- Customers may not have sufficient financial resources to fulfil their obligations owed to the Enlarged Group;

- Losses may result from risks not covered by the Enlarged Group's compensation guarantee contractual arrangement; and

- The scope of the insurance may not be sufficient to the Enlarged Group because certain matters cannot be insured with reasonable commercial clauses or at all. The Enlarged Group has not yet obtained insurance covering or been fully paid for all of the potential or actual losses in relation to environmental liabilities, business interruption, profit loss, or losses due to operating interruption, industrial accidents, employee or third party protest or other activities.

The Enlarged Group is subject to reputation risk

The Enlarged Group may not be able to maintain the existing credit rating and reputation of the companies acquired pursuant to the Equity Acquisition Agreements. Failure of any subsidiary or branch of the Enlarged Group to effectively avoid or mitigate adverse consequences in relation to the Enlarged Group's operations as a result of safety accidents, inadequate quality control, or other reasons could have adverse effects on the Enlarged Group, its reputation, results of operations, financial condition and profitability.

The Enlarged Group's historical financial information is not indicative of future results of operations, and future growth rates may not match historical levels

To maintain the steady business growth, the Enlarged Group reviews and adjusts its strategies from time to time. Therefore, the Enlarged Group's historical financial information must be read in conjunction with the effect on business due to strategic adjustments during the period as reflected in financial reports. The Company cannot assure you that the historical or pro forma financial information will reflect the results of operations, financial condition or cash flows of the Enlarged Group in the future. The Enlarged Group may be unable to maintain a growth rate comparable to the historical levels of the Company or the acquired companies in terms of revenue or net profit in the future.

Certain businesses and operations of the Enlarged Group require substantial and steady capital injection; lack of adequate financing may have an adverse effect on the Enlarged Group's business, financial performance and growth prospects

Certain businesses of the Enlarged Group are capital-intensive and in need of substantial capital for their operations. If capital requirements of the Enlarged Group exceed its financial resources, the Enlarged Group may need to incur additional debt or equity financing. The Company cannot assure you that cash generated from business operations could sufficiently support the development and expansion plans of the Enlarged Group. The Enlarged Group's failure to obtain additional financing in a timely manner and at reasonable cost may adversely affect the Enlarged Group's business developments, financial performance and growth prospects. The availability of external funding is subject to various factors and uncertainties including governmental approval, market conditions, credit availability, interest rates and the Enlarged Group's results of operations in various businesses.

The Enlarged Group might experience unexpected difficulties in implementing its expansion plan

To develop the Enlarged Group's business and strengthen the Enlarged Group's competitiveness and profitability, the Enlarged Group plans to further expand its existing businesses to new industry sectors or geographical markets. Such expansion is subject to various risks, including the Enlarged Group's lack of operational experience in certain industries or markets, changes in government policies and regulations and other risks associated with such industries or markets. Market development could also tighten the

Enlarged Group's funds, personnel and management resources. As a result, the Enlarged Group may not be able to effectively manage its development, which would have an adverse effect on its business, results of operations, financial condition and prospects of the Enlarged Group. In addition, the Enlarged Group may find it is difficult to win market share from companies with considerable size and market share in its corresponding industries and markets and may already take up a large portion of market share. The Company cannot assure you that its expansion plan will succeed.

The Enlarged Group's acquisitions or strategic investments may not be integrated or managed effectively, or at all, which in turn could have an adverse effect on the Enlarged Group's results of operations and financial condition

The Enlarged Group may acquire or invest in businesses to expand its operations. There are many risks and difficulties in relation to acquisitions, including potential difficulties of retention and assimilation of personnel, the integration of operations and corporate cultures, distraction of management attention and other resources, and lack of knowledge and experience in new industries or markets. In addition, the Enlarged Group may be subject to debts, other obligations and potential legal obligations of the acquired companies as a result of the acquisition. The acquisition may also result in the impairment charges of goodwill and other intangible assets. Any of these factors may have an adverse effect on the results of operations and financial condition of the Enlarged Group. In particular, if the acquired companies' results of operations did not meet expectations, the Enlarged Group may be required to recognize significant impairment charges, resulting in an adverse effect on the Enlarged Group's results of operations. Therefore, the Company cannot provide assurance that any acquisitions could achieve the desired strategic objectives, business integration, or the expected return on investment.

Failure to maintain an effective quality control system could have an adverse effect on the business and operations of the Enlarged Group

The quality of the Enlarged Group's services and products is essential to the success of its businesses. To ensure its business success, the Enlarged Group endeavors to maintain an effective quality control system. The effectiveness of the quality control system depends on a series of factors, including the design of the system, the related training programs and the Enlarged Group's ability to ensure its employees compliance with the quality control policies and guidelines.

The development of the Enlarged Group's management and internal control measures is consistent with the development of the Enlarged Group's business to a large extent. Some of the Enlarged Group's internal control and coordination measures on the group business may not be implemented at the Enlarged Group level due to a large number of subsidiaries, a wide range of businesses and widely distributed middle-level management teams. As a result, difficulties may arise in supervising whether the subsidiaries, management team members and employees abide by the internal control policies and procedures of the Enlarged Group and related laws and regulations.

Any failure to comply with the quality control system, the deterioration of related systems or lack of supervision of the internal control mechanism may result in defects in the Enlarged Group's services or products, which could lead to compensatory claims in contract, product liability and other compensatory requirements. Any such claims, whether with or without merit, could lead to significant costs, damages to the Enlarged Group's reputation and adverse effect on the Enlarged Group's business.

Reliance on the experience and industry expertise of management personnel, skilled personnel and other qualified staff and intense competition for talents may have an adverse effect on the Enlarged Group's business and prospects

Talented executives and other managerial staff are essential for the rapid business development of the Enlarged Group. If the improvement of the internal motivation and incentive mechanism and discipline mechanism lag behind other businesses' development, the Enlarged Group's further development could be hampered.

The Enlarged Group's business operation growth depends on the continued service of the senior management team. To implement the future growth plan, the Enlarged Group will need more management personnel with experience and talents. If any important management personnel leaves the Enlarged Group, and the Enlarged Group was unable to recruit or hire people with equivalent qualifications in a timely manner, the Enlarged Group's business management and growth could be adversely affected.

The Enlarged Group's businesses cover multiple industries and also depend on employment, training and retaining of skilled employees with different backgrounds, including management, finance, marketing and other technical professionals. In China and other markets where the Enlarged Group's businesses have operations, retaining qualified personnel is generally very competitive. Having high quality personnel is the key to meeting the challenges of future business competition. The Company cannot assure you that the Enlarged Group will be able to hire the necessary manpower with the appropriate technical skills for operational activities.

The Company also cannot assure you that the supply strains of skillful personnel will not increase the costs of employees. The companies to be acquired under the Equity Acquisition Agreements have accumulated a large number of management personnel and technical personnel over the years. Despite their various attempts to stabilize and attract the talented personnel, there are still certain risks of talent loss. At the same time, in the forthcoming operation process, as the Enlarged Group expands its business, there is also a risk of talent loss. Any failure to attract and retain qualified employees as well as any inability to recruit experienced personnel on management, finance, technology, marketing and other professionals, or to maintain enough labors may lead to an adverse effect on the Enlarged Group's business operations, and the future development and expansion may be limited.

The Enlarged Group is subject to risks of technological innovation and update

There are continuous new technology developments in each industry. New services are frequently introduced and industrial standards are always evolving. Technological transformation reduces cost and price, and competitors in the same industry all try to provide more competitive and creative products and services. It is uncertain if the Enlarged Group will be able to effectively adapt evolving technology and respond technological transformation and industrial development. To maintain its competitiveness, the Enlarged Group must continuously invest, which will have demands on financing and cash flow of the Enlarged Group on the one hand, and expose the Enlarged Group to the risk of delayed return or declined return rate on the other hand.

The rapid change of technology is likely to increase competition and obsolete the Enlarged Group's technology, products or services, or result in a loss of market share. Research and development of the Enlarged Group may not be successful or generate economic interests at the expected level. Even if the research and development is successful, the Enlarged Group may not be able to apply the new technology to market acceptable products, or capture market opportunities. In addition, the expected market demand during the development phase of any product may not be realized, or when the Enlarged Group launches new products, the market may not accept the new products. If the Enlarged Group cannot predict the trend of technology or product development, and develop the new and innovative technology products required by customers, it may fail to produce sufficiently advanced products at competitive prices and may adversely affect the Enlarged Group's results of operations, financial condition and profitability.

RISKS RELATING TO THE SPECIFIC BUSINESSES AND INDUSTRIES OF THE ENLARGED GROUP

Risks Relating to the Vessel Leasing Business

The business and activity levels of many of the vessel leasing customers of the Enlarged Group, shipbuilders and third parties with which the Enlarged Group does business and their ability to fulfill their obligations under agreements with the Enlarged Group, including payments for the charter of the Enlarged Group's vessels, may be hindered by any deterioration in the credit markets

The current vessels of the Enlarged Group will be, and the Company anticipates that those that the Enlarged Group acquires in the future will be, primarily chartered to customers under long-term time charters. Payments to the Enlarged Group under those charters are expected to account for a significant part of the revenue of the Enlarged Group. Many of the customers of the Enlarged Group's vessel leasing business finance their activities through cash flow from operations, bank borrowings or capital markets issuances. During the recent financial and economic crises, there was a significant decline in the credit markets and the availability of credit and other forms of financing. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in available credit facilities and the limited or lack of availability of debt or equity financing reduced the ability of the Enlarged Group's vessel leasing customers to make charter payments as they became due. Any recurrence or sustained financial and economic disruption could result in similar effects on the Enlarged Group's vessel leasing customers or other third parties with which the Enlarged Group does business, which in turn could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

Similarly, the shipbuilders with whom the Enlarged Group has contracted to construct new-building vessels may be affected by future instability of the financial markets and other market conditions, including with respect to the fluctuating price of commodities and currency exchange rates. If the Enlarged Group's shipbuilders are unable or unwilling to meet their obligations to it, this will harm its fleet expansion and may harm the business, results of operations and financial condition of the Enlarged Group.

Growth of the Enlarged Group's vessel leasing business depends upon continued growth in demand for containerships

Growth of the Enlarged Group's vessel leasing business will generally depend on continued growth and renewal in world and regional demand for containership chartering. Fluctuations in containership charter rates result from changes in the supply and demand for vessel capacity, which are driven by global fleet capacity and utilization and changes in the supply and demand for the major products internationally transported by containerships. The factors affecting the supply and demand for containerships, and the nature, timing and degree of changes in industry conditions are unpredictable.

Factors that influence demand for containership capacity include, among others:

- supply and demand for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- seaborne and other transportation patterns, including the distances over which container cargoes are transported and changes in such patterns and distances;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of containership capacity include, among others:

- the number of new-building orders and deliveries;
- the extent of new-building vessel deferrals;
- the scrapping rate of containerships;
- new-building prices and containership owner's access to capital to finance the construction of new-buildings;
- charter rates and the price of steel and other raw materials;
- changes in environmental and other regulations that may limit the useful life of containerships;
- the number of containerships that are slow-steaming or extra slow-steaming to conserve fuel;
- the number of containers and containerships that are idle;
- port congestion and canal closures; and
- demand for fleet renewal.

The Enlarged Group's ability to re-charter its containerships upon the expiration or termination of their then existing time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the then current state of the containership market. If charter rates are low when the Enlarged Group's then existing time charters expire, it may be required to re-charter its vessels at reduced rates or even possibly a rate whereby it incurs a loss, which would harm the Enlarged Group's results of operations. Alternatively, the Enlarged Group may determine to leave such vessels off-charter. The same issues will exist if the Enlarged Group acquires additional vessels and seek to charter them under long-term time charter arrangements as part of its growth strategy.

The vessel leasing industry is highly competitive

The Enlarged Group face significant competition from various ship chartering companies and independent carriers who may charter out their vessels from time to time. A number of the competitors of the Enlarged Group may have the ability to offer better charter hire rates or deploy larger fleets. Some of the competitors of the Enlarged Group may also have better market penetration in certain shipping segments, regions and greater financial resources than the Enlarged Group does. As a consequence, the Enlarged Group may have to lower charter hire rates in order to maintain and/or attract customers, which in turn may reduce the revenue and profitability of the Enlarged Group. The Enlarged Group may also experience a loss of market share if it is unable to compete effectively.

Risks inherent in the operation of ocean-going vessels could harm the Enlarged Group's business and reputation

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenue from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to the Enlarged Group's reputation and customer relationships generally. The involvement of the Enlarged Group's vessels in any disaster involving the above possibilities could harm its reputation as a safe and reliable vessel owner. Any of these circumstances or events could harm the Enlarged Group's business, results of operations and financial condition.

Containership values may fluctuate substantially over time, which could adversely affect the Enlarged Group's results of operations or ability to raise capital

Containership values can fluctuate substantially over time due to a number of different factors, including, among others:

- prevailing economic conditions in the market in which the containership trades;
- a substantial or extended decline in world trade;
- increases in the supply of containership capacity; and
- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

If a charter agreement terminates, the Enlarged Group may be unable to re-deploy the vessel at attractive rates and may seek to dispose of it rather than continue to incur costs to maintain and finance the vessel. The Enlarged Group's inability to dispose of the containership at a reasonable price, or at all, could result in a loss on its sale and harm the business, results of operations and financial condition of the Enlarged Group.

In addition, if the Enlarged Group determines at any time that a containership's value has been impaired, the Enlarged Group may need to recognize a significant impairment charge that would adversely affect earnings and net assets. Vessels that are currently not considered impaired may become impaired over time if the future estimated undiscounted cash flows decline at a rate that is faster than the depreciation of these vessels. Further, declining containership values could affect the Enlarged Group's ability to raise cash by limiting its ability to refinance vessels or use unencumbered vessels as collateral for new loans. Any of the above developments could harm the Enlarged Group's business, results of operations and financial condition.

Risks Relating to the Finance Leasing Business

Inability to effectively maintain asset quality of the finance leasing business may have a material adverse impact on the Enlarged Group's business, financial condition and results of operations

The sustainability and future growth of the Enlarged Group's finance leasing business depends largely on its ability to effectively manage credit risk and maintain the asset quality of its finance lease receivables portfolio. As a result, any deterioration in asset quality or decline in collectability of its finance lease receivables could materially and adversely affect the Enlarged Group.

The credit risk and asset quality of the finance lease receivables portfolio may be affected by certain macro factors, including the economic condition and market condition of the PRC and global markets as well as changes in the relevant PRC policies, laws and regulations. Adverse changes in the above factors may have a negative effect on finance leasing customers in terms of their operations, financial condition and liquidity, thereby affecting their ability to make lease payments in a timely manner. If the Enlarged Group's level of impaired finance lease receivables increase as a result, its business, financial condition and results of operations may be materially and adversely affected.

The collateral, pledges or other guarantees accepted in the finance leasing business may not have sufficient value or may not be enforced

The value of the lessees' collateral and guarantees securing the Enlarged Group's finance leases and the assets underlying such finance leases, which are disposed upon repossession, may be inadequate to cover the related finance lease receivables. The Enlarged Group's finance leasing business usually requests the lessees to provide collateral and/or guarantees to secure the obligations under the finance lease contracts. In the event of any material default on payment terms, the Enlarged Group is entitled to enforce its security rights and/or repossess and dispose of the assets underlying the finance leases. The value of collateral and/or assets underlying the finance leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the operating condition of guarantors under such leases could decrease the amounts recoverable under such guarantees, thereby increasing the Enlarged Group's operating risks. Declines in the value of collateral, guarantees or assets underlying the finance leases or any inability to obtain additional guarantees may result in impairment losses and require additional provisions for impairment losses on finance lease receivables, which may materially and adversely affect the finance leasing business, results of operations and financial condition.

The finance leasing business is subject to credit risk

The Enlarged Group's finance leasing business is subject to credit risks associated with any deteriorating credit quality of the relevant debtors, which may result in default by lessees or guarantors, and in turn lead to deterioration in the quality of lease receivables or a decline in the quality of future receivables. The underlying financial assets may also be subject to price fluctuations as a result of the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. If the Enlarged Group fails to effectively manage its credit exposure, the volatility of any negative impact of credit exposures could be magnified, and as a result may lead to significant financial losses that could materially and adversely affect the Enlarged Group's business, financial condition and results of operations.

Significant interest rate fluctuations could have a material impact on the finance leasing business

The finance leasing business is affected by interest rates, including both the interest rates charged to the finance leasing customers and the interest rates paid on loans and financing obligations. An increase in interest rates, or the perception that such an increase may occur, could adversely affect the Enlarged Group's ability to obtain bank loans at favourable interest rates, maximize interest income, originate new leases and growth prospects generally. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices could lead to a mismatch between interest income and interest expense, which could, in turn, result in an increase in the fluctuation of net income from the finance leasing business. The amount of net interest income generated on finance leases also depends on the Enlarged Group's ability to adjust the interest rates charged to customers in response to fluctuations in interest rates for the Enlarged Group's interest-bearing bank borrowings, so as to maintain the spread income and net interest margin.

The Enlarged Group may not be able to match the maturity profile of finance leasing assets and liabilities, which may impact liquidity

The finance leasing business depends on the ability to successfully match asset growth with fundraising on an ongoing basis. Failure to match the relative maturities of the assets and liabilities or to manage interest rate exposure between lease receivables and borrowings may result in net liquidity shortfalls. In turn, the finance leasing business may not be able to meet financial obligations as they become due, and may face difficulty obtaining sufficient additional financing on acceptable terms, if at all.

Any provision for impairment losses on finance lease receivables may not be sufficient to cover the actual losses which may be incurred by the finance lease receivables

Any provision for impairment losses on finance lease receivables may not be adequate to cover future credit losses, and may result in the need to increase future provisions for impairment to cover such credit losses going forward. Any provisions for impairment losses on finance lease receivables may prove to be inadequate if the PRC economy slows down or if other events adversely affect specific customers, industries or markets. Under such circumstances, the Enlarged Group may need to make additional provisions for impairment losses on finance lease receivables, which could reduce profitability and may affect the financial lease receivables, which could reduce profits and adversely affect financial leasing business, results of operations and financial condition.

Risks Relating to the Insurance Brokerage Business

The Enlarged Group's insurance brokerage business is concentrated on a limited range of insurance products

The Enlarged Group's insurance brokerage business primarily focuses on marine insurance products. The nature of marine insurance involves risk and does not necessarily lead to returns commensurate with such risk due to the uncertainty of return, and therefore, there can be no assurance that marine insurance products will continue to be accepted in the markets where the Enlarged Group's insurance brokerage business operates, or that the Enlarged Group will be able to maintain revenue generation through brokering marine insurance products. Any significant deterioration in the Enlarged Group's ability to generate sustainable revenue from the sale of marine insurance products and any significant fluctuation in the market demand for marine insurance products may adversely affect the sale of such products, and in turn the business, financial condition and results of operations of the Enlarged Group.

The insurance brokerage business relies on relationships with insurance providers

Successful insurance brokerage requires establishing and maintaining business relationships between the broker and the insurance provider in order to provide an attractive portfolio of insurance products to satisfy customer needs. Strong relationships with insurance providers may also lead to more favourable commercial terms, which the broker is then able to pass on to customers and strengthen its competitiveness. The Company cannot assure you that the Enlarged Group's insurance brokerage business will successfully maintain existing strategic relationships with insurance providers or successfully establish new ones, which may result in a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The insurance brokerage industry is subject to various regulatory requirements, which the Enlarged Group may not always comply with

The Enlarged Group's insurance brokerage business is subject to regulations and regulatory approvals of government and regulatory bodies. Compliance standards in relation to approvals or regulatory requirements may also change from time to time. New laws and regulations and/or changes in the interpretation of existing laws and regulations may escalate the compliance costs for the Enlarged Group's insurance brokerage business or limit its ability to provide these services such that its profitability in providing insurance brokerage services may be materially affected. Insurance brokers are also required to obtain certain registrations and licenses from relevant authorities, and renew such registrations and licenses upon expiry. The Company cannot assure you that the Enlarged Group's insurance brokerage business will always be in compliance with applicable rules and regulations, or that such business will always be able to obtain or maintain necessary registrations, approvals or licenses. Any of the above could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Insurance brokers may engage in misselling

Commissions in the insurance brokerage business may vary depending on the insurance product purchased by the customer. As such, there may be inherent conflicts of interest as the insurance brokers may be tempted to sell products with higher commission rather than those actually required by or most suitable to the specific customer. The Company cannot assure you that the Enlarged Group's insurance brokers will always recommend or sell the insurance product that best serve the customer's specific needs. If the Enlarged Group's insurance brokers engage in misselling, whether intentional or otherwise, the Enlarged Group's insurance brokerage business may face complaints and regulatory investigation, and regardless of outcome, its reputation may suffer, which could result in a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Risks Relating to the Banking Business

If CBHB is unable to effectively maintain the quality of its loan portfolio, its business, financial condition and results of operations may be materially and adversely affected

CBHB's financial condition and results of operations are affected by its ability to maintain or improve the quality of its loan portfolio. Deterioration in the quality of the loan portfolio may occur due to various reasons. For example, a strategy to expand loans to small and micro enterprises may adversely affect the overall asset quality, as such loans may have a higher non-performing loan ratio than loans to larger enterprises. The Company cannot assure you that CBHB will be able to maintain or lower its non-performing loan ratio in the future.

Moreover, the actual or perceived deterioration in the creditworthiness of borrowers, such as reduced profitability or cash flow of corporate borrowers or the unemployment of individual borrowers, may cause asset quality to deteriorate and may lead to significant increases in allowance for impairment losses on loans. If non-performing loans or allowance for impairment losses on loans increase in the future, CBHB's profitability may be materially and adversely affected.

The collateral, pledges or guarantees securing CBHB's loans to borrowers may not be sufficient or fully realizable

A portion of CBHB's banking loans are secured by collateral, pledges or guarantees. The value of such collateral and pledges may significantly fluctuate or decline due to various factors beyond the control of CBHB, including macroeconomic factors affecting China. In particular, a slowdown in the PRC economy may lead to a downturn in the industries of CBHB's borrowers, which may in turn result in declines in the value of the collateral to a level below the outstanding principal and interest of such loans. Moreover, the growth of such borrowers' industries may be significantly influenced by macroeconomic policies of the PRC government, such as interest rate and credit policies. In addition, the Company cannot assure you that the assessment of the values of collateral and pledges will be accurate or current. If such collateral and pledges prove to be insufficient in value cover the related loans, CBHB may require the borrowers to provide additional collateral and pledges, for which there is no assurance in obtaining. Furthermore, the procedures for liquidating or otherwise realizing the value of collateral and pledges may be protracted in the PRC, and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for CBHB to take control of or liquidate the collateral and pledges securing non-performing loans. Other claimants against such borrowers may also have priority over CBHB to the collateral and pledges. With respect to loan guarantors, any deterioration of the guarantors' financial conditions may have a material adverse effect on the credit quality of the underlying loans. Such guarantees may also be declared invalid or otherwise unenforced by courts or other judicial or government authorities. Any of the above adverse developments with respect to collateral, pledges or guarantees securing loans granted by CBHB may result in a material adverse effect on CBHB's business, financial condition and results of operations.

If CBHB's risk management policies and procedures for its loans to borrowers are designed or implemented ineffectively, its business, financial condition and results of operations could be materially and adversely affected

Banking operations face a variety of inherent risks, including credit risk, market risk, liquidity risk and operational risk. CBHB's risk management system for its lending operations is essential for maintaining control over its credit, market, liquidity, operational and other risks, as well as to protect it from the impact of these risks. However, such risks may not be comprehensively identified or may exceed historical levels. In addition, effective risk management requires constant assessment and update as well as effective execution by employees. Any violation of the above policies and procedures by employees or any defect during the course of update or implementation of the risk management system may adversely affect CBHB.

Furthermore, CBHB's risk management capabilities are limited by the information, tools or technologies available. For example, borrowers' credit is a factor in evaluating lending, but there is no assurance that such credit assessments are accurate currently or in the future, or that such borrowers will timely repay amounts as due regardless of credit.

If CBHB fails to maintain growth in customer deposits or if there is a significant decrease in customer deposits, its liquidity, financial condition and results of operations may be materially and adversely affected

Customer deposits are a significant source of funding for CBHB's banking business. As of 30 September 2015, CBHB had total deposits of RMB410,491.5 million. Further growth of the banking business requires continued growth in deposits from customers, which may be affected by many factors, including macroeconomic conditions, availability of investment alternatives such as wealth management products, and changing propensity of banking customers toward savings. Any negative developments in such areas may result in liquidity risks and increasing competition from other banks, capital management companies and other financial institutions to attract customer deposits.

The banking business may be affected by changes in interest rates and other market risks

CBHB's banking business relies significantly on generating net interest income. In 2012, 2013 and 2014 and the nine months ended 30 September 2015, net interest income from CBHB was RMB7,546.2 million, RMB10,514.7 million, RMB13,432.4 million and RMB11,595.0 million, respectively, representing 79.8%, 82.2%, 86.3% and 82.9% of CBHB's net operating income in the same periods, respectively. Net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC. The PBOC publishes and adjusts benchmark interest rates on loans and deposits from time to time, and PBOC regulations limit the ability to adjust interest rates in response to changing market conditions, which may negatively impact CBHB's financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could decrease the average yield on interest-earning assets and increase the average cost on interest-bearing liabilities, which would narrow the net interest margin and result in a reduction in net interest income. In addition, an increase in interest rates for loans could result in increases in the financing costs of borrowers, reduce overall demand for loans and increase the risk of customer default, while a reduction in interest rates for deposits could lead depositors to withdraw their funds.

Risks Relating to the Investment Holding Business

The Enlarged Group may incur substantial losses in connection with its investment holdings due to market fluctuations and volatility

The Enlarged Group's investment holding business maintains investments in various markets. The risk exposure associated with its investment positions in such markets could vary and in the event of material market fluctuations and volatility, such positions may result in substantial losses. The Company cannot assure you that the Enlarged Group's investment decisions will lead to gains, and the returns are uncertain even with best efforts and judgment. In addition, limited availability of investment options and hedging strategies in China may affect the Enlarged Group's ability to effectively hedge its exposure to the risks associated with its investments.

The Enlarged Group's investment holdings business may be materially and adversely affected by poor investment performance of investment products or a significant decline in the scale of its investments

Investment performance is an important factor in maintaining profitability and competing for new investment opportunities. Poor investment returns in the Enlarged Group's investment holdings business, due to general economic and market conditions or underperformance relative to its competitors could adversely affect its ability to retain existing assets and to attract new investment opportunities. In addition, given the industry competition, the Enlarged Group may not be able to maintain or increase the scale of its investments. Any of the above developments which could adversely affect the Enlarged Group's results of operations and financial condition.

Investment holdings are subject to various risks associated with target companies

Before making investments, the Enlarged Group's investment holdings business conducts due diligence deemed to be reasonable and appropriate based on the facts and circumstances applicable to each investment. However, the due diligence investigation carried out with respect to any investment opportunity may not identify instances of fraud, accounting irregularities and other improper, illegal or deceptive practices of a target company, which could lead to overvaluing the target company and inhibiting profitability on such investments. Contributing capital to these companies carries inherent risk, and the Enlarged Group may lose some or the entire principal amount of its investments.

The Enlarged Group's investment holdings business may have limited control over its portfolio companies. As a result, it is subject to the risk that the majority shareholders or the management of such companies may act in a manner that does not serve the interests of the Enlarged Group. General operational risks, such as inadequate or failed internal controls of such companies, would also expose the Enlarged Group to risks.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC, as well as government policies, could affect the business, financial condition, results of operations and prospects of the Enlarged Group

The majority of the assets and business of the Enlarged Group are located in the PRC and its business, results of operations and financial conditions are subject to economic, political and legal developments in the PRC. China's economy differs from the economies of developed countries in many respects, including the degree of government involvement, level of development, growth rate, and control over foreign exchange and allocation of resources. For the past two decades, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. While China's economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. In addition, even if these measures benefit the overall PRC economy, they may adversely affect business, results of operations, financial conditions and prospects of the Enlarged Group.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the control of the Enlarged Group may have a material adverse effect on its business operations, financial condition and results of operations

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the control of the Company may adversely affect the economy, infrastructure and livelihood of the people in the regions where the Enlarged Group conduct its business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome, avian influenza, Middle East Respiratory Syndrome, H5N1 influenza, H1N1 influenza or H7N9 influenza, potential wars or terrorist attacks. Serious natural disasters may result in a loss of lives and injury and destruction of assets and disrupt the Enlarged Group's business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect economic systems and financial markets. Acts of war or terrorism may also injure the Enlarged Group's employees, cause loss of lives, disrupt the its business network and destroy its markets. Any of these factors and other factors beyond the control of the Enlarged Group could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where the Enlarged Group conducts business, cause its business to suffer in ways that it cannot predict and materially and adversely impact its business, financial condition and results of operations.

RISKS RELATING TO THIS CIRCULAR

Certain statistics, industry data and other information relating to general economy and industry environment contained in this circular are derived from various publications by official governmental authorities, industry associations and other entities, and the Company cannot assure the accuracy and completeness of such statistics, data and information

Certain statistics, industry data and other information relating to the general economy and industry environment contained in this circular were derived from various publications by official governmental authorities, industry associations and other entities. As such, the Company or its Directors, agents and advisers cannot assure or make any representation as to the accuracy or completeness of such statistics, data and information.

None of the Company, its legal advisers or any of their respective associates, directors, employees, agents or advisers has prepared or independently verified the accuracy or completeness of such statistics, data and information directly or indirectly derived from sources and channels such as official governmental authorities and industry associations. Due to the possibility of flawed collection methods, discrepancies in published information, different market practices or other problems, the statistics, industry data and other information relating to the general economy and industry environment derived from sources from channels such as official governmental authorities and industry associations may be inaccurate or may not be comparable to statistics produced from other sources, and thus should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, industry data and other information relating to the general economy and the industries.

This circular contains forward-looking statements relating to the Company's and the Enlarged Group's plans, objectives, expectations and intentions, which may not represent its actual performance for the periods of time to which such statements relate

This circular contains certain forward-looking statements relating to the Company's and the Enlarged Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and possibly known risks, uncertainties and other factors which may cause actual performance or achievements of the Company or the Enlarged Group to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this circular. Such forward-looking statements are based on numerous assumptions as to the Company's and the Enlarged Group's present and future business strategies and the environment in which the Company and the Enlarged Group will operate in the future. The actual performance or achievements of the Company or the Enlarged Group may differ materially from those disclosed in this circular.

I. WAIVER IN RELATION TO DISCLOSURE OF FINANCIAL INFORMATION OF CBHB

As CS Container will only acquire a minority interest in CBHB pursuant to the CBHB Equity Acquisition Agreement, neither COSCO Company (the vendor) nor CS Container (the purchaser) has control over or access to the financial information that is necessary to prepare CBHB's accountant's report. CS Container has applied for, and the Stock Exchange has granted a waiver from strict compliance with Rules 14.69(4)(a)(i), Rule 14.69(7) and paragraph 32 of Appendix 1B of the Listing Rules in relation to the disclosure of the accountant's reports and management discussion and analysis in respect of CBHB under the acquisition of the Financial Equity on the following conditions:

(1) CS Container will include alternative disclosures of the financial information of CBHB as publicly available for the latest three financial years and a stub period (where applicable);

(2) CS Container will provide qualitative and (to the extent the information is publicly available) quantitative discussion and analysis of the financial condition, business operation and prospects of the CBHB.

The financial information of CBHB for the years ended 31 December 2012, 2013 and 2014, please refer to the following hyperlinks:

http://www.cbhb.com.cn/bhbank/S101/attach/2012bhndbgzyen.pdf;

http://www.cbhb.com.cn/bhbank/S101/attach/2013ywnb.pdf; and

http://www.cbhb.com.cn/bhbank/S101/attach/2014ywnb.pdf.

The unaudited financial information of CBHB for the nine months ended 30 September 2015 was prepared in accordance with the PRC GAAP, please refer to the following hyperlinks (in Chinese only):

http://www.chinabond.com.cn/Info/22418059

Please refer to the section headed "Financial Information of the Target Entities" and Appendix I-J of this circular for financial information and management discussion and analysis of CBHB as publicly available for the latest three financial years and the nine months ended 30 September 2015.

The Directors noticed that PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) had issued an unqualified opinion dated 19 April 2013 on the financial statements of CBHB as at and for the year ended 31 December 2012 and PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) had issued unqualified opinion dated 23 April 2014 and 21 April 2015, respectively, on the financial statements of CBHB as at and for each of the years ended 31 December 2013 and 2014 prepared in accordance with the PRC GAAP.

The Directors also noticed in the published summary annual reports of CBHB for the years ended 31 December 2012, 2013 and 2014 that there were no differences between the net profit and equity attributable to shareholders of CBHB prepared in accordance with PRC GAAP and those prepared in accordance with IFRS. In addition, CBHB made statements in its summary annual reports that there were no difference regarding the net profit of CBHB for each of the years ended 31 December 2012, 2013 and 2014 and the net assets of CBHB as at 31 December 2012, 2013 and 2014 presented in its respective financial statements prepared pursuant to PRC GAAP and IFRS respectively.

Since HKFRS has converged with IFRS effective from 1 January 2005. HKFRS, in all material respects, are equivalent to IFRS. The titles and numbering of the standards under HKFRS are consistent with those of IFRS. There are minor textual differences under certain standards of HKFRS with no practical effect.

After taking into consideration of the above, the Directors consider there was no difference on CBHB's net profit and total equity under PRC GAAP and HKFRS for the years ended 31 December 2012, 2013 and 2014. However, there are certain differences between PRC GAAP and HKFRS with regard to the classification of certain line items on income statement and balance sheet, namely:

– "Due from banks and other financial institutions" under HKFRS will be reclassified as "Due from banks and other financial institutions", "Placements with banks and other financial institutions" and "Assets purchased under resale agreements" under PRC GAAP;

– "Other assets" under HKFRS will be reclassified as "Interest receivable", "Intangible assets" and "Other assets" under PRC GAAP;

– "Due to banks and other financial institutions" under HKFRS will be reclassified as "Due to banks and other financial institutions", "Due to Central Bank", "Assets sold under repurchase agreements" under PRC GAAP;

– "Other liabilities" under HKFRS will be reclassified as "Staff costs payable", "Interest payable", "Tax payable" and "Other liabilities" under PRC GAAP;

– "Net trading gains/losses" under HKFRS will be reclassified as "Net loss/gain on changes of fair value" and "Foreign exchange gains/losses" under PRC GAAP;

– "Other operating income" under HKFRS will be reclassified as "Net loss/gain on investments" and "non-operating income" under PRC GAAP; and

– "Operating expenses" under HKFRS will be reclassified as "General and administrative expenses", "Non-operating expenses" and "Business tax and surcharge" under PRC GAAP.

II. WAIVERS IN RELATION TO PROFIT FORECAST OF THE VALUATION OF CERTAIN TARGET ENTITIES OF THE EQUITY ACQUISITION AGREEMENTS AND THE EQUITY SALES AGREEMENTS

The valuation report of all target entities of the transactions contemplated under the Equity Acquisition Agreements and the Equity Sales Agreements were prepared by the PRC Valuer based on the market or asset-based approach as the fundamental valuation approach (except for the long-term investments of CS Nauticgreen, income approach was used only as a supplement to the fundamental valuation approach adopted). However, income approach was also used as the secondary approach for certain target entities, namely Dong Fang International, Florens, Helen Insurance and CS Leasing of the Financial Equity and CS Container Agency HK, Universal Shipping, Golden Sea, CSSP, the Onshore Agencies and Other Related Business, CS Container Agency SZ and Universal Logistics of the Sales Equity (together with CS Nauticgreen, the "**Relevant Valuation Entities**") as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach-based valuation as mentioned above is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules on the following grounds:

(1) the PRC Valuer was jointly engaged by CS Container and the relevant counterparties for the purpose of complying with the relevant PRC regulations and the only involvement of CS Container was attending discussion with the PRC Valuer to understand how the PRC Valuer has conducted the valuation or providing historical financial information of these subject entities (as the case may be);

(2) the valuation is required by the applicable PRC laws and regulations rather than pursuant to the Listing Rules;

(3) while the consideration was determined by reference to the appraised value, the Board also considered other factors as set out below when assessing the acquisition or disposal of the relevant target entities:

   (a) the appraised value of Relevant Valuation Entities;

   (b) current situation and development prospects of the industries in which the Relevant Valuation Entities operate;

   (c) historical financial performance and development potential of the Relevant Valuation Entities;

   (d) current situation and development prospects of the industries in which CS Container operates;

(e) historical financial performance and development potential of CS Container; and

(f) various valuation multiples such as P/E ratio, P/B ratio, EV/EBITDA ratio (for relevant target entities of the Equity Sales Agreements), EV/EBIT and EV/NOIAT ratio (for relevant target entities of the Equity Acquisition Agreements) of the comparable companies as well as the historical comparable transactions;

(4) the financial impact of the acquisition or disposal of the relevant target entities (together with other subject entities to be acquired or sold under the Equity Acquisition Agreements and the Equity Sales Agreements, as the case may be) will be set out in the circular of the EGM; and

(5) for those target entities to be disposed of, namely CS Container Agency HK, Universal Shipping, Golden Sea, CSSP, the Onshore Agencies and Other Related Business, CS Container Agency SZ and Universal Logistics, as they will cease to be part of CS Container Group after the transactions contemplated thereunder, the profit forecast in respect of these subject entities will be irrelevant to CS Container's future financial position.

Please refer to the Appendix IV of this circular for the summary valuation reports of the Target Entities. For the financial impact of the acquisition or disposal of the Financial Equity and the Sales Equity, please refer to the sections headed "II-5 Financial Effects of the Acquisition of the Financial Equity" and "III-5 Financial Effects of the Sales of the Sales Equity".

1. DONG FANG INTERNATIONAL

Establishment

CS Shanghai contributed US$50,000 to establish Dong Fang International in British Virgin Island in May 1997.

In July 1997, CS Shanghai transferred all ordinary shares as held by it in Dong Fang International to CS Company.

In December 1998, CS Company transferred all ordinary shares as held by it in Dong Fang International to CS Hong Kong.

In November 2004, Dong Fang International completed its first round of capital injection and share issuance, thereby increasing its issued share capital to US$50 million.

In January 2008, Dong Fang International completed its second round of capital injection and share issuance, thereby increasing its issued share capital to US$100 million.

In July 2011, CS Hong Kong transferred all ordinary shares as held by it in Dong Fang International to CS Nauticgreen.

In November 2013, CS Nauticgreen transferred all ordinary shares as held by it in Dong Fang International to CS Hong Kong.

Milestone

By the end of September 2015, Dong Fang International ranked 8th globally in terms of total container fleet size.

Major subsidiaries

Dong Fang Container Finance (SPV) Limited was incorporated in British Virgin Island in 2013. As at the Latest Practicable Date, the share capital was US$68,195,733, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in holding container assets.

Dong Fang Container Finance II (SPV) Limited was incorporated in British Virgin Island in 2014. As at the Latest Practicable Date, the share capital was US$36,344,633, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in holding container assets.

Dong Fang International Asset Management Limited (東方國際資產管理有限公司) was incorporated in Hong Kong in 1997. As at the Latest Practicable Date, the share capital was HK$3, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in container leasing business.

Dong Fang International Container Investment Limited (東方國際集裝箱投資有限公司) was incorporated in Hong Kong in 2012. As at the Latest Practicable Date, the share capital was HK$10,000, 100% equity interests in which were directly held by Dong Fang International.

Oriental International Equipment Trading Limited was incorporated in British Virgin Island in 2010. As at the Latest Practicable Date, the share capital was US$10,000, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in trading of containers.

Dong Fang International Container Limited was incorporated in British Virgin Island in 2004. As at the Latest Practicable Date, the share capital was US$50,000, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in holding part of equity interests in container factory.

Dong Fang International Asset Management (Singapore) Private Limited was incorporated in Singapore in 2012. As at the Latest Practicable Date, the share capital was SG$10,000, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in container leasing business.

Dong Fang International Asset Management (Germany) GmbH was incorporated in Germany in 2013. As at the Latest Practicable Date, the share capital was EURO25,000, 100% equity interests in which were directly held by Dong Fang International. Its principal business engaged in container leasing business.

2. FLORENS

Establishment

Florens was incorporated in British Virgin Island in July 1998.

In September 1998, Florens issued one ordinary share with a par value of US$1, which was held by COSCO Pacific.

In December 1998, Florens issued 22,013 ordinary shares with a par value of US$1, all of which were held by COSCO Pacific.

Milestone

As at 30 September 2015, Florens had a market share of 11% in the global container leasing market, ranking 4th globally in terms of container fleet.

Major subsidiaries

Florens Maritime Limited was incorporated in Bermuda in 2006. As at 30 September 2015, the share capital was US$12,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in container leasing.

Florens Container Corporation S.A. was incorporated in Panama in 1987. As at 30 September 2015, the share capital was US$10,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in container leasing.

Florens Capital Management Company Limited was incorporated in Hong Kong in 2010. As at 30 September 2015, the share capital was HK$2,000, 50% equity interests in which were directly held by Florens. Its principal business engaged in investment holding.

Florens Shipping Corporation Limited was incorporated in Bermuda in 1995. As at 30 September 2015, the share capital was US$12,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in container leasing.

Florens Container (Macao Commercial Offshore) Limited was incorporated in Macao in 2003. As at 30 September 2015, the share capital was MOP100,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in sale of containers and administration of marine shipping container activities.

Florens Management Services (Macao Commercial Offshore) Limited was incorporated in Macao in 2003. As at 30 September 2015, the share capital was MOP100,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in provision of container management services.

Fairbreeze Shipping Company Limited was incorporated in Hong Kong in 1981. As at 30 September 2015, the share capital was HK$500,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in property investment.

Florens Container Services Company Limited was incorporated in Hong Kong in 1996. As at 30 September 2015, the share capital was HK$100, 100% equity interests in which were directly held by Florens. Its principal business engaged in provision of container management services.

Florens (China) Company Limited (佛羅倫(中國)有限公司) was incorporated in Tianjin in 2006. As at 30 September 2015, the share capital was US$12,800,000, 100% equity interests in which were directly held by Florens. Its principal business engaged in container leasing and resale of old containers.

Florens (Tianjin) Finance Leasing Co., Ltd. (佛羅倫(天津)融資租賃有限公司) was incorporated in Tianjin in 2010. As at 30 September 2015, the share capital was US$50,000,000, 100% equity interests in which were directly held by Florens Capital Management Company Limited (50% equity interests held by Florens directly). Its principal business engaged in finance leasing.

Florens Container Inc. was incorporated in USA in 1997. As at 30 September 2015, the share capital was US$1, 100% equity interests in which were directly held by Famous International Limited (100% equity interests held by Florens indirectly). Its principal business engaged in investment holding and container leasing.

Florens Container, Inc. (1998) was incorporated in USA in 1998. As at 30 September 2015, the share capital was US$100, 100% equity interests in which were directly held by Florens Container Inc. (100% equity interests held by Florens indirectly). Its principal business engaged in leasing of generator sets.

Florens Container, Inc. (2002) was incorporated in USA in 2004. As at 30 September 2015, the share capital was US$1, 100% equity interests in which were directly held by Florens Container Inc. (100% equity interests held by Florens indirectly). Its principal business engaged in sale of old containers.

Florens Container, Inc. (2003) was incorporated in USA in 2003. As at 30 September 2015, the share capital was US$1, 100% equity interests in which were directly held by Florens Container Inc. (100% equity interests held by Florens indirectly). Its principal business engaged in sale of old containers.

Florens Container Services (USA), Ltd. was incorporated in USA in 1996. As at 30 September 2015, the share capital was US$1, 100% equity interests in which were directly held by Florens Container Inc. (100% equity interests held by Florens indirectly). Its principal business engaged in provision of container management services.

3. HELEN INSURANCE

Establishment

CS Hong Kong contributed capital injection of HK$3,000,000 to establish Helen Insurance in Hong Kong in September 2007.

Major subsidiaries

As at the Latest Practicable Date, Helen Insurance did not hold any wholly-owned subsidiaries.

4. CS NAUTICGREEN

Establishment

CS Hong Kong contributed capital injection of HK$10,000 to establish CS Nauticgreen in Hong Kong in May 2011.

In July 2011, CS Nauticgreen completed its capital injection and share issuance, thereby increasing its registered capital to HK$140 million.

Milestone

In April 2014, CS Nauticgreen placed an order with China Shipping Industry Co., Ltd. for building four 64,000 DWT bulk cargo vessels, and entered into a ten-year charter agreement with China Shipping Bulk Carrier (Hong Kong) Co., Limited.

In October 2015, CS Nauticgreen entered into a shipbuilding contract in relation to six (with five optional) 21,000-TEU vessels, and entered into a twelve-year charter agreement with CS Container HK. Such ship model is currently the mega-size container vessel with the largest size and container capacity in the world.

Major subsidiaries

China Shipping Nauticgreen Bulk 01 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

China Shipping Nauticgreen Bulk 02 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

China Shipping Nauticgreen Bulk 03 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

China Shipping Nauticgreen Bulk 04 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

China Shipping Nauticgreen Bulk 05 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

China Shipping Nauticgreen Bulk 06 Limited was established in Hong Kong. As at the Latest Practicable Date, its share capital was HK$10,000, 100% equity interests in which were directly held by CS Nauticgreen. Its principal business engaged in vessel holding.

5. CS LEASING

Establishment

CS Company contributed a capital injection of RMB500 million to establish CS Leasing in Shanghai in August 2013.

In December 2015, CS Leasing completed capital injection and share issuance, thereby increasing its registered capital to RMB1,500 million.

Milestone

In 2015, upon approval by Hongkou Market Supervision Commission, Shanghai, it obtained the business license for medical apparatus.

In July 2014, upon approval by the MOFCOM and the State Administration of Taxation, it obtained the qualification as domestic financial leasing pilot entity.

Major subsidiary

Marine Commercial Factoring (Tianjin) Company Limited (海匯商業保理(天津)有限公司) was established in Tianjin in March 2015. As at the Latest Practicable Date, the registered capital was RMB50 million, 100% equity interests in which were directly held by CS Leasing. Its principal business engaged in providing trading finance through receivables; settlement, management, and collection of payment; management of sales accounts (categories); guarantees over non-commercial bad debts related to the business operation of CS Container; customer credit investigation and valuation; and consultation services related to commercial factoring (business operations of which are subject to approval by the relevant government authorities according to the law).

6. CS INVESTMENT

Establishment

CS Company, CS Shanghai, and CS Guangzhou jointly contributed capital injection of RMB100 million to establish CS Investment in Shanghai in June 1998, with each party holding 90%, 5% and 5% equity interests, respectively upon establishment.

In September 1998, CS Investment completed its first round of capital injection and share issuance, thereby increasing its registered capital to RMB300 million.

In January 2005, CS Guangzhou transferred the 3.33% equity interests as held by it in CS Investment to CS Company. As a result, CS Company, CS Shanghai, and CS Guangzhou held 93.33%, 5%, and 1.67% equity interests, respectively. CS Investment completed its second around of capital injection and share issuance, thereby increasing its registered capital to RMB600 million.

In June 2006, CS Investment completed its third round of capital injection and share issuance, thereby increasing its registered capital to RMB900 million.

In March 2008, CS Investment established Shanghai Universal Logistics Equipment Co., Ltd. (上海寰宇物流裝備有限公司) by way of partial asset spin off. Following establishment of the subsidiary, CS Investment's registered capital decreased from RMB900 million to RMB350 million, and Shanghai Universal Logistics Equipment Co., Ltd. had a registered capital of RMB550 million.

In April 2010, CS Investment completed its fourth round of capital injection and share issuance, thereby increasing its registered capital to RMB1,393 million. Following this capital injection and share issuance, CS Company, CS Shanghai, and CS Guangzhou changed their equity interests to 94.44%, 3.89%, and 1.67%, respectively.

In May 2013, CS Investment completed its fifth round of capital injection and share issuance, thereby increasing its registered capital to RMB2,393 million. Following this capital injection and share issuance, CS Company, CS Shanghai, and CS Guangzhou changed their equity interests to 89.79%, 2.26%, and 7.95%, respectively.

In March 2015, CS Investment completed its sixth round of capital injection and share issuance, thereby increasing its registered capital to RMB2,713 million.

Major subsidiary

Shanghai Universal Logistics Equipment Co., Ltd. (上海寰宇物流裝備有限公司) was established in Shanghai. As at the Latest Practicable Date, its registered capital was RMB850 million, 100% equity interests in which were directly held by CS Investment. Its principal business engaged in research and development of logistics equipment, investments in industries, international trading of logistics equipment, import and export of cargos and technologies, and their related consultation services (business operations of which are subject to approval by the relevant government authorities according to the law).

7. CS FINANCE

Establishment

CS Company, CS Container, CS Development, CS Guangzhou, and CS Haisheng jointly contributed a total capital of RMB300 million to establish CS Finance in Shanghai in December 2009, with each party holding 25%, 25%, 25%, 20%, and 5% equity interests, respectively. In December the same year, CS Finance was officially opened for business upon approval by CBRC.

In September 2011, CS Finance completed the capital injection and share issuance, thereby increasing its registered capital to RMB600 million (including a foreign capital of US$5 million).

Milestone

In June 2012, upon approval by CBRC, CS Finance was able to engage in 12 business operations including taking up deposits from members, interbank funding and undertaking corporate bonds for members.

In June 2012, upon approval by the Shanghai Branch of the State Administration of Foreign Exchange, CS Finance obtained the qualification for spot exchange settlement and sales services for foreign exchanges. In November of the same year, it was approved as a member for the inter-bank foreign exchange spot market under China Foreign Exchange Trading System.

In September 2015, upon approval by CBRC, CS Finance obtained the qualification for trading of foreign exchange derivatives.

Major subsidiaries

As at the Latest Practicable Date, CS Finance did not hold any wholly-owned subsidiaries.

8. COSCO FINANCE

Establishment

China Ocean Shipping Company (中國遠洋運輸總公司) contributed RMB274 million to establish China COSCO Group Finance Company (中國遠洋集團財務公司) in Beijing in February 1994.

In December 2000, China COSCO Group Finance Company completed its first round of capital injection and share issuance and share transfer, thereby increasing the registered capital to RMB400 million (including foreign capital of US$20 million), with COSCO Company, Shanghai Ocean Shipping Company (上海遠洋運輸公司), China Ocean Shipping Agency Company (中國外輪代理總公司), Guangzhou Ocean Shipping Company (廣州遠洋運輸公司), COSCO International Freight Co., Ltd. (中遠國際貨運有限公司), Tianjin Ocean Shipping Company (天津遠洋運輸公司), Qingdao Ocean Shipping Company (青島遠洋運輸公司), COSCO Property Ltd. (中遠房地產開發公司), Nantong COSCO Shipyard (南通中遠船廠), and China Marine Bunker (Petro China) (Guangzhou Branch) (中國船舶燃料供應廣州公司) holding 45.50%, 19.50%, 12.00%, 5.50%, 5%, 3.75%, 2.50%, 2.50%, 2.50% and 1.25% equity interests, respectively.

In February 2001, upon the approval of PBOC, China COSCO Group Finance Company changed its name to COSCO Finance.

In December 2005, COSCO Finance completed its second around of capital injection and share issuance and share transfer, thereby increasing its registered capital to RMB800 million. COSCO Company, COSCO Container, COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公

司), China Ocean Shipping Agency Co., Ltd., Guangzhou Ocean Shipping Company, COSCO International Freight Co., Ltd., COSCO Shipping Co., Ltd. (中遠航運股份有限公司), Qingdao Ocean Shipping Company, Dalian Ocean Shipping Company, COSCO Property Ltd., COSCO Shipbuilding Industry Company (中遠造船工業公司), COSCO Shipyard Group Co., Ltd. (中遠船務工程集團有限公司), and China Marine Bunker (Petro China) Co., Ltd. (中國船舶燃料有限公司) changed to 40.625%, 12.25%, 10.00%, 6.00%, 5.50%, 5.00%, 5.00%, 5.00%, 3.75%, 2.50%, 1.875%, 1.25% and 1.25% equity interests, respectively.

In December 2011, COSCO Finance completed its third round of capital injection and share issuance and share transfer, thereby increasing its registered capital to RMB160 million. COSCO Company, COSCO Container, COSCO Bulk Carrier Co., Ltd., Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸有限公司), COSCO Shipping Co., Ltd., Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), Dalian Ocean Shipping Company, Xiamen Ocean Shipping Company (廈門遠洋運輸公司), COSCO International Freight Co., Ltd., China Ocean Shipping Agency Company, China Ocean Shipping Tally Company, COSCO Shipbuilding Industry Company, COSCO Shipyard Group Co., Ltd., and China Marine Bunker (Petro China) Co., Ltd. changed to 43.125%, 12.25%, 10.00%, 4.00%, 5.00%, 5.50%, 3.00%, 0.50%, 5.00%, 7.00%, 0.50%, 1.875%, 1.25% and 1.00% equity interests, respectively.

Milestone

In February 1994, upon the approval by PBOC, COSCO Finance obtained the Business License for Financial Services from PBOC.

In October 2003, upon the approval by CBRC, COSCO Finance obtained the financial licence from CBRC.

Major subsidiaries

As at the Latest Practicable Date, COSCO Finance did not hold any wholly-owned subsidiaries.

9. LONG HONOUR

Establishment

Long Honour was incorporated in British Virgin Island in September 1998, and issued one bearer share with a par value of US$1.

In March 2004, such share, which was held by Meng Qinghui, was changed as one registered share.

In September 2007, Meng Qinghui transferred the one issued share in Long Honour to COSCO HK.

Major subsidiary

COSCO Container Industries Limited was incorporated in British Virgin Island in 2004. As at the Latest Practicable Date, the issued share capital was US$1, 100% equity interests in which were directly held by Long Honour. Its principal business engaged in investment holding.

10. CBHB

Establishment

In accordance with No.337 Reply from the CBRC 2005, TEDA Investment Holdings Co., Ltd. (天津泰達投資控股有限公司), Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司), COSCO Company, State Development & Investment Corporation (國家開發投資公司), Baosteel Group Corporation (寶鋼集團有限公司), Tianjin Trust Co., Ltd. (天津信託有限責任公司) and Tianjin Shanghui Investment (Holding) Co., Ltd. (天津商匯投資(控股)有限公司), jointly contributed a total capital of RMB5,000 million to establish CBHB in Tianjin in December 2005, with each party holding 25%, 19.99%, 13.67%, 11.67%, 11.67%, 10% and 8% equity interests, respectively. In February 2006, CBHB was officially opened for business.

In April 2010, upon approval by CBRC, CBHB completed its first round of capital injection and share issuance, thereby increasing its registered capital to RMB8,500 million.

In January 2011, upon approval by CBRC, CBHB completed its second round of capital injection and share issuance. As at 10 May 2011, TEDA Investment Holdings Co., Ltd. (天津泰達投資控股有限公司), Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司), COSCO Company, State Development & Investment Corporation (國家開發投資公司), Baosteel Group Corporation (寶鋼集團有限公司), and Tianjin Shanghui Investment (Holding) Co., Ltd. (天津商匯投資(控股)有限公司), the six shareholders of CBHB, contributed a total paid-up capital of RMB5,355 million. Tianjin Trust Co., Ltd. (天津信託有限責任公司)'s capital injection of RMB595 million was not contributed due to its failure to meet the criteria for capital injection as required under the regulatory authorities, and the capital injection and share issuance did not complete.

Milestone

In July 2006, CBHB was approved to carry on short-term debt-instrument underwriting business under Yin Fa [2006] No.229 Document (銀發[2006]229號).

In December 2006, CBHB was approved to carry on derivatives trading activities under Yin Jian Fu [2006] No. 408 Document (銀監覆[2006]408號).

In April 2007, CBHB was approved to carry on short-term debt-instrument underwriting business as a lead underwriter under Yin Fa [2007] No. 67 Document (銀發[2007]67號).

In June 2007, CBHB obtained the financial license granted by CBRC.

In October 2009, CBHB was approved to engage in sales of securities investment funds under Zheng Jian Xu Ke [2009] No. 1085 Document (證監許可[2009]1085號).

In June 2010, CBHB was approved to carry on fund custodian business under Zheng Jian Xu Ke [2010] No. 893 Document (證監許可[2010]893號).

In March 2011, CBHB was approved to engage in creation of credit risk mitigation warrants under Zhong Shi Xie Bei [2011] No. 67 Document (中市協備[2011]67號).

In April 2011, CBHB was approved to engage in RMB-foreign currency swaps under Hui Huo Diao Bei [2011] No. 003 Document (匯貨掉備[2011]第003號).

In May 2011, CBHB was approved to carry on insurance custodian business under [2011] No. 2 Insurance Funds Assessment Letter (保險資金評估函[2011]2號).

In June 2014, CBHB was approved to engage in centralised clearing of RMB interest rate swaps under Clearing House Membership Approval [2014] No. 035 Document (清算所會員准字[2014]035號).

In July 2014, CBHB was approved to engage in offshore gold trading and act as secondary qualifying agent on the Shanghai Gold Exchange under Yin Shi Huangjin Bei [2014] No. 138 Document (銀市黃金備[2014]138號).

In September 2014, CBHB was approved to engage in interbank gold inquiry business under Shanghai Gold Exchange [2014] No. 100 Document (上金交發[2014]100號).

In January 2015, CBHB was approved to carry on credit assets securitization business under Yin Jian Fu [2015] No. 2 Document (銀監覆[2015]2號).

In June 2015, CBHB was approved to engage in interbank foreign currency market operations under Zhong Hui Jiao Fa [2015] No. 250 Document (中匯交發[2015]250號).

In August 2015, CBHB was approved to engage in trading of RMB-foreign exchange options under Zhong Hui Jiao Fa [2015] No. 330 Document (中匯交發[2015]330號).

Major subsidiaries

As at the Latest Practicable Date, CBHB did not hold any wholly-owned subsidiaries.

OVERVIEW OF PRINCIPAL BUSINESS

Dong Fang International is principally engaged in the container leasing, chassis leasing, container management and container trading businesses.

Florens is principally engaged in the container leasing, management and sales, finance leasing and their related businesses.

Helen Insurance is principally engaged in the provision of marine insurance brokerage services.

CS Nauticgreen is principally engaged in the ship leasing businesses.

CS Leasing is principally engaged in providing financing to customers for a wide array of assets under finance lease arrangements and operating lease arrangements. It is also engaged in the provision of leasing advisory services.

CS Investment is principally engaged in the container manufacturing business as well as the financial equity investment business and related services.

CS Finance is principally engaged in the provision of deposit services, credit services, financing and financial consulting, credit verification and related consultation and agency services, as well as settlement and liquidation services.

COSCO Finance is principally engaged in the deposit settlement, loans, finance leasing, notes, investment and foreign exchange trading and settlement businesses.

Long Honour is principally engaged in the investment holding business.

CBHB is primarily engaged in the banking business, including corporate banking, personal banking and financial markets businesses.

PRINCIPAL BUSINESSES

Dong Fang International

Dong Fang International is principally engaged in the container leasing, chassis leasing, container management and container trading businesses. It is a leading player in the global container leasing industry, ranked eighth among container leasing companies in the world in terms of container fleet capacity. The table below sets forth a breakdown of Dong Fang International's revenue by business line for the periods indicated.

	Year ended 31 December 2012	2013	2014	Nine months ended 30 September 2015
	(in millions of US$)			
Container leasing	85.8	82.4	102.9	89.2
Chassis leasing	2.1	1.8	1.5	1.1
Container management	0.7	1.0	1.4	1.6
Container trading	1.2	0.4	1.0	–
Total	89.8	85.6	106.8	91.9

Container Leasing

Container leasing is Dong Fang International's core business. Dong Fang International primarily engages in long-term leasing, finance leasing and flexible leasing. The containers covered by this leasing business include dry cargo containers, specialized containers and refrigerated containers. The container leasing business typically involves five phases, i.e., financing, purchase, leasing, management and resale. Based on the lessees' requirements, Dong Fang International purchases containers and then transfers the right to possess, use and profit from the containers under the respective lease to the lessees in exchange for lease payments from the lessees.

Revenue from Dong Fang International's container leasing business amounted to US$85.8 million, US$82.4 million, US$102.9 million and US$89.2 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. Dong Fang International's leased containers amounted to 408,615 TEU, 617,024 TEU, 774,157 TEU and 885,229 TEU in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. The table below sets forth a breakdown of Dong Fang International's leased containers by types of containers as at the dates indicated.

	As at 31 December 2012	2013	2014	As at 30 September 2015
	TEU			
Dry cargo containers	402,814	593,218	726,270	843,758
Specialized containers	668	7,196	9,596	17,628
Refrigerated containers	5,133	310	2,051	4,953
New container inventory	–	16,300	36,240	18,890
Total	408,615	617,024	774,157	885,229

Chassis Leasing

Aside from container leasing, Dong Fang International also offers leasing services for other transportation assets, which primarily includes chassis. Revenue from Dong Fang International's chassis leasing business amounted to US$2.1 million, US$1.8 million, US$1.5 million and US$1.1 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Container Management

Dong Fang International's container management business provides its clients with one-stop service which covers purchase, leasing, subleasing, sale, maintenance, transportation and storage of containers.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the number of containers under management of Dong Fang International was 69,442TEU, 68,877TEU, 68,507TEU and 68,107TEU, respectively. Revenue from Dong Fang International's container management business amounted to US$0.7 million, US$1.0 million, US$1.4 million and US$1.6 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Container Trading

Dong Fang International's container trading business primarily comprises resale of new containers to container investors and sale of secondhand containers to container yard operators, container exporters, small-size distributors and shipping companies.

Revenue from Dong Fang International's container trading business amounted to US$1.1 million, US$0.4 million, US$1.0 million and US$0.1 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Business Network

Dong Fang International has subsidiaries in Germany and Singapore, representative offices in Shanghai, Taiwan, South Korea and London, and sales agents in South Africa and Dubai. As at 30 September 2015, the company co-operated 189 container yards at 130 locations across the globe.

Customers and Suppliers

Dong Fang International's principal customers are global shipping and transportation companies, including several leading players in such industries. Revenue from Dong Fang International's top five customers amounted to US$60.1 million, US$53.3 million, US$59.6 million and US$50.3 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Dong Fang International's principal suppliers are container manufacturers. To assure steady and high-quality supply of containers, Dong Fang International owns minority interests in certain subsidiaries of one of the largest container manufacturers in the world. Dong Fang International also purchases containers from reputable third party suppliers. By diversifying its sources of supplies, Dong Fang International is able to ensure stability of the quality of containers and timely delivery to clients. Purchases from Dong Fang International's top five suppliers amounted to US$14.3 million, US$137.7 million, US$130.5 million and US$76.1 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Florens

Florens is principally engaged in the container leasing, management and sales, finance leasing and their related businesses. It is a leading player in the global container leasing industry, ranked fourth among container leasing companies in the world in terms of container fleet capacity. The table below sets forth a breakdown of Florens' revenue by business line for the periods indicated.

	Year ended 31 December			**Nine months ended 30 September**
	2012	**2013**	**2014**	**2015**
	(in millions of US$)			
Container leasing	280.5	290.9	295.8	217.2
Container sales	42.6	43.0	47.8	12.7
Container management	7.5	7.4	6.4	3.7
Other leasing	5.6	6.4	7.1	5.7
Total	336.2	347.7	357.1	239.3

Container Leasing

Container leasing is Florens' core business, and primarily comprises operating leases and finance leases. Florens' container leasing business typically involves five phases, i.e., financing, purchase, leasing, management and resale. Based on the lessees' requirements, Florens purchases containers and then transfers the right to possess, use and profit from the containers under the lease to the lessees in exchange for lease payments from the lessees. The container leases offered by Florens include those for dry cargo containers, refrigerated containers and specialized containers.

Revenue from Florens' container leasing business amounted to US$280.5 million, US$290.9 million, US$295.8 million and US$217.2 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. Florens' number of containers for lease amounted to 1,174,174 TEU, 1,200,235 TEU, 1,197,384 TEU and 1,200,750 TEU as at 31 December 2012, 2013, 2014 and 30 September 2015, respectively. The table below sets forth a breakdown of Florens' leased containers by types of containers as at the dates indicated.

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
		TEU		
Dry cargo containers	1,147,593	1,175,208	1,174,080	1,179,333
Refrigerated containers	20,936	20,269	19,164	17,687
Specialized containers	5,645	4,758	4,140	3,730
Total	1,174,174	1,200,235	1,197,384	1,200,750

Container Sales

Florens' container sales business primarily comprises resale of obsolete and near-obsolete containers and sale of new containers and equipment to third parties.

Revenue from Florens' container sales business amounted to US$42.6 million, US$43.0 million, US$47.8 million and US$12.7 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Container Management

Florens' container management business primarily comprises managing and leasing containers that Florens sold to institutional investors.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the number of containers under management of Florens was 630,353 TEU, 591,378 TEU, 544,929 TEU and 510,046 TEU, respectively. Revenue from Florens' container management business amounted to US$7.5 million, US$7.4 million, US$6.4 million and US$3.7 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Other Leasing

Aside from container leasing, Florens is also engaged in operating leasing of generator sets and car racks and finance leasing of docking facilities and vessels. Florens' operating lease rentals on generator sets and car racks amounted to US$1.6 million, US$1.6 million, US$1.4 million and US$1.0 million in 2012, 2013, 2014 and for the nine months ended 30 September 2015, respectively. Florens' finance lease income amounted to US$4.0 million, US$4.9 million, US$5.7 million and US$4.7 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Business Network

As at 30 September 2015, Florens had 12 branches and business outlets, three sales agents and approximately 230 container yards across the globe.

Customers and Suppliers

Florens' principal customers are global liner companies, including several industry leaders. The company also services regional mid-and small-size shipping companies, non-vessel operating common carriers and logistic companies. Revenue from Florens' top five customers amounted to US$197.6 million, US$211.6 million, US$228.7 million and US$171.6 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Florens' principal suppliers are container manufacturers, including several industry leaders. Purchases from Florens' top five suppliers amounted to US$365.8 million, US$285.6 million, US$304.5 million and US$203.4 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Helen Insurance

Helen Insurance is principally engaged in the provision of marine insurance brokerage services. The table below sets forth a breakdown of Helen Insurance's revenue by types of insurance for the periods indicated.

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	(in millions of HK$)			
Hull insurance	12.0	10.0	10.8	8.6
P & I insurance	19.4	24.1	24.8	20.1
Total	31.4	34.1	35.6	28.7

Helen Insurance's marine insurance brokerage business primarily comprises hull insurance and P & I insurance. Revenue from the company's hull insurance business amounted to HK$12.0 million, HK$10.0 million, HK$10.8 million and HK$8.6 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. Revenue from the company's P & I insurance amounted to HK$19.4 million, HK$24.1 million, HK$24.8 million and HK$20.1 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively.

Customers

Helen Insurance mainly services the marine insurance needs of CS Group but also actively develops third party customers, which includes several reinsurance companies. The table below sets forth a breakdown of Helen Insurance's insurance brokerage commission income by source for the periods indicated.

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	(in millions of HK$)			
Third parties	10.4	11.9	12.0	8.2
Other subsidiaries of CS Group	21.0	22.2	23.6	20.5
Total	31.4	34.1	35.6	28.7

CS Nauticgreen

CS Nauticgreen is principally engaged in the ship leasing business, which primarily involves bulk cargo ships and container ships. Revenue of CS Nauticgreen amounted to US$89.8 million, US$71.0 million, nil and nil in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. From July 2011 to November 2013, CS Nauticgreen held the entire equity interest in Dong Fang International, which was primarily engaged in the container leasing, chassis leasing, container management and container trading businesses. In April 2014, CS Nauticgreen entered into agreement with China Shipping Industry Co., Ltd. for the construction of four bulk cargo ships and entered into agreement with China Shipping Bulk Carrier Co., Ltd. for the leasing of these vessels. As at 30 September 2015, all these vessels were under construction. In October 2015, CS Nauticgreen entered into agreement with an independent third party for the construction of six containerships and entered into agreement with CS Container for the leasing of these vessels. In 2014 and for the nine months ended 30 September 2015, CS Nauticgreen did not record any revenue as all of its ships were under construction.

CS Leasing

CS Leasing is principally engaged in providing financing to customers for a wide array of assets under finance lease arrangements and operating lease arrangements. It is also engaged in the provision of leasing advisory services.

Principal Business

Finance leasing is CS Leasing's core business, including direct leasing and sale and leaseback, and primarily involves the logistics, healthcare, education and energy industries. Set forth below is the revenue and weighted average yield of finance leasing in these industries for the nine months ended 30 September 2015.

	Revenue from	**Weighted average yield**
	(in millions of RMB)	%
Logistics	11.0	6.6%
Healthcare	50.7	9.0%
Education	62.8	8.1%
Energy	7.1	6.6%

Customers and Source of Capital

CS Leasing's principal customers are shipping companies, hospitals, educational institutions and new energy companies. CS Leasing's main sources of capital are borrowings from other members of the CS Group and bank borrowings.

CS Investment

CS Investment is principally engaged in the container manufacturing business as well as the financial equity investment business and related services. The company is a leading player in the global container manufacturing business. Revenue of CS Investment amounted to RMB2,356.7 million, RMB2,979.4 million, RMB3,630.8 million and RMB2,736.8 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. For further details regarding the revenue of CS Investment, please see "Financial Information of the Target Entities – Business Performance – CS Investment."

Container Manufacturing

CS Investment owns manufacturing facilities for standard dry cargo containers in Guangzhou, Lianyungang and Jinzhou, with an aggregate annual production capacity of 450,000TEU. It also manufactures specialized containers.

Financial Equity Investment and Related Services

CS Investment makes equity investments in the insurance brokerage, banking, funds and other industries through securities investments, trusts, asset management schemes and other financial instruments.

CS Finance

CS Finance is principally engaged in the provision of deposit services, credit services, financing and financial consulting, credit verification and related consultation and agency services, as well as settlement and liquidation services. Net operating income amounted to RMB267.1 million, RMB293.5 million, RMB336.7 million and RMB231.5 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. For further details regarding the net operating income of CS Finance, please see "Financial Information of the Target Entities – Business Performance – CS Finance."

Principal Business

CS Finance is a non-banking financial institution that provides a variety of financial services, including deposits, settlement, loans, bill discounting, financial leasing, loan commissioning, credit verification, insurance brokerage and related consulting and agency services, to other members of the CS Group.

Customers

CS Finance's principal customers are other members of the CS Group. It provides financial services to and serves as the centralized fund management platform for the CS Group.

COSCO Finance

COSCO Finance is principally engaged in the deposit settlement, loans, financial leasing, notes, investment and foreign exchange trading and settlement businesses. Operating income amounted to RMB350.8 million, RMB457.0 million, RMB1,227.2 million and RMB561.2 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. For further details regarding the operating income of COSCO Finance, please see "Financial Information of the Target Entities – Business Performance – COSCO Finance."

Principal Businesses

COSCO Finance's deposit settlement business primarily comprises deposit receipts, transfer account settlement, and agent collection and payment. COSCO Finance's loan business primarily comprises proprietary loans and entrustment loans.

Customers

COSCO Finance's principal customers are other members of the COSCO Group. It provides deposit settlement services to and serves as the centralized management of cash accounts for other members of the COSCO Group.

Long Honour

Long Honour is principally engaged in the investment holding business. During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, Long Honour did not conduct any business operation and did not derive any operating income. As of 31 October 2015, Long Honour did not hold any material operating asset. Profit for the year/period of Long Honour amounted to US$1.7 million, US$89.7 million, US$75.1 million and US$53.8 million in 2012, 2013, 2014 and the nine months ended 30 September 2015, respectively. As at 31 October 2015, Long Honour held 100% of COSCO Container Industries Limited's total issued shares and directly and indirectly held 22.58% of CIMC's total issued shares.

CBHB

CBHB is primarily engaged in the banking business, including corporate banking, personal banking and financial markets businesses.

Corporate Banking

Corporate banking is CBHB's core business, comprising deposits, lending, trade finance, investment banking and assets custody activities. As at 31 December 2014, CBHB had corporate loans and advances (including discounted bills) of approximately RMB168,900.0 million, representing 82.24% of its total loans and advances to customers. As at the same date, CBHB's corporate deposits amounted to approximately RMB327,600.0 million, representing 92.4% of its total deposits.

Personal Banking

CBHB's personal banking business offers to individual customers a wide range of products and services, including personal loans, personal deposits, bank cards, settlement services and personal wealth management. As at 31 December 2014, CBHB had personal loans and advances of approximately RMB31,946.3 million, representing 15.6% of its total loans and advances to customers. As at the same date, CBHB's personal deposits amounted to RMB26,926.9 million, representing 7.6% of its total deposits.

Financial Markets

CBHB's financial market business primarily consists of: (i) short-term inter-bank placements with other domestic banks, foreign invested banks and non-bank financial institutions through the inter-bank money market; (ii) repurchases and reverse repurchases of securities with other domestic banks, foreign invested banks and non-bank financial institutions through the inter-bank money market; and (iii) short-term placements in foreign currencies, debt repurchases in foreign currencies, foreign exchange swaps and other money market transactions in the international financial market. In 2014, CBHB recorded operating income of RMB5,489.0 million from its financial markets business.

Business Network

Headquartered in Tianjin, CBHB had 74 branches in 30 cities in the PRC as at 31 December 2014. Furthermore, CBHB has invested in the continued expansion of its electronic banking capacity, resulting in consistent improvement in e-service and innovation as well as steady growth in the customer pool and trading volume.

INFORMATION TECHNOLOGY

Information technology is key to supporting the continued business growth and synergy of the Target Entities.

Dong Fang International's information technology system mainly comprises the container management system, DFAMS, which is an online platform that supports e-commerce transactions and real-time container trading.

Florens' information technology system mainly comprises the fleet management system, Fleet Manager, which consists of accounting and supply-chain management system, customer relation management system, business planning system and comprehensive customer portal website.

Helen Insurance's information technology system mainly comprises relevant business and financial management systems.

CS Nauticgreen is developing a ship management system, which will serve as an online platform that supports project management and ship investment decision-making.

CS Leasing's information technology system mainly comprises a leasing business management system.

CS Investment's information technology system mainly comprises a product lifecycle management system.

CS Finance's information technology system mainly comprises a treasury management system, which handles the unified management of its deposit, lending, foreign exchange and interbank businesses.

COSCO Finance's information technology system includes a fund settlement system and a disaster preparedness system.

EMPLOYEES

CS Nauticgreen and Long Honour had no employees as at 30 September 2015. The table below sets forth, as at 30 September 2015, the number of employees of Dong Fang International, Florens, Helen Insurance, CS Leasing, CS Investment, CS Finance and COSCO Finance:

Company	Number of employees
Dong Fang International	82
Florens	106
Helen Insurance	10
CS Leasing	64
CS Investment	258
CS Finance	57
COSCO Finance	119

In addition, as at 30 September 2015, CS Investment engaged 2,701 dispatched workers through third-party labor agencies.

Management of each of the companies above believe that the skill and loyalty of its respective employees is vital to sustainable growth. Such companies have adopted market-oriented performance assessment and incentive systems, under which compensation is linked to employee performance. Performance assessment systems provide the basis for human resources related decisions such as compensation adjustment, bonus distribution, promotion, talent development, and employee incentives. Employees also receive various benefits, such as basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of the PRC and other overseas jurisdictions, as applicable.

The companies above provide a diverse range of training to their employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills and provide them with diversified career paths in order to better attract and retain talent.

PROPERTIES

As at 30 September 2015, Dong Fang International did not own any property. As at the same date, Dong Fang International leased four properties with an aggregate gross floor area of 2,126.6 sq.m., which are used as office spaces.

Florens owns and leases a number of various properties, substantially all of which are located in Hong Kong. As at 30 September 2015, Florens owned and had land use rights to 34 properties, which are mainly used for residential and commercial purposes, with an aggregate gross floor area of 2,991.6 sq.m. As at the same date, Florens also leased nine properties with an aggregate gross floor area of approximately 1,762.0 sq.m., which are mainly used as office spaces and dormitories for its employees.

As at 30 September 2015, Helen Insurance did not own any property. As at the same date, Helen Insurance leased one property with a gross floor area of 210.8 sq.m., which is used as office space.

As at 30 September 2015, CS Nauticgreen did not own or lease any property.

As at 30 September 2015, CS Leasing did not own any property. As at the same date, CS Leasing leased two properties with an aggregate gross floor area of approximately 1,354.8 sq.m., which are used as office spaces.

CS Investment owns and leases a number of various properties, substantially all of which are located in the PRC. As at 30 September 2015, CS Investment owned and had land use rights to 48 properties, which are mainly used for industrial purposes, with an aggregate gross floor area of 1,160,252 sq.m. As at the same date, CS Investment also leased three properties with an aggregate gross floor area of approximately 5,479.0 sq.m., which are mainly used for office space and container stockyards.

As at 30 September 2015, CS Finance did not own any property. As at the same date, CS Finance leased two properties with an aggregate gross floor area of approximately 1,690.0 sq.m., which are used as office spaces.

COSCO Finance owns and leases a number of various properties, all of which are located in the PRC. As at 30 September 2015, COSCO Finance owned two properties, which are mainly used as office spaces, with an aggregate gross floor area of approximately 1,897.1 sq.m. As at the same date, COSCO Finance also leased six properties with an aggregate gross floor area of 1,463.8 sq.m., which are used as office spaces.

As at 30 September 2015, Long Honour did not own or lease any property.

INTELLECTUAL PROPERTY

As at 30 September 2015, Florens owned one patent and five trademarks. As at the same date, CS Investment owned two trademarks and 22 patents.

LEGAL AND REGULATORY PROCEEDINGS

The Target Entities may be involved in legal and/or regulatory proceedings or disputes in the ordinary course of business. As of 30 September 2015, none of such companies were involved as a plaintiff, claimant or defendant in any material unresolved instances of litigation or arbitration.

Such companies' operations in the PRC are also subject to review and inspections by various governmental authorities. From 2013 until the present, CS Investment incurred one administrative penalty in the amount of RMB0.1 million as a result of excessive discharge of atmospheric pollutant by one of its subsidiaries, which has since been paid in full.

Other than as disclosed above, as at 30 September 2015, none of the Target Entities was aware of any other legal, regulatory or administrative proceedings or disputes that, in the opinion of the respective management, would have a material adverse effect on its business, financial condition, results of operations or prospects.

I. OVERVIEW

As of the Latest Practicable Date, CS Company held a 45.85% equity interest in CS Container. CS Company, COSCO Company or COSCO Pacific directly and indirectly hold the following equity interests in the Target Entities:

Controlling interests to be acquired by CS Container				Minority interests to be acquired to be acquired by CS Container	
Container Leasing Business		Shipping-related and Other Financial Service Business		Minority Financial Investments in Other Business	
Name of subject entities	**Interests to be acquired**	**Name of subject entities**	**Interests to be acquired**	**Name of subject entities**	**Interests to be acquired**
Dong Fang International (BVI, a wholly-owned subsidiary of CS Company)	100%	CS Nauticgreen (HK, a wholly-owned subsidiary of CS Hong Kong)	100%	COSCO Finance (PRC, a non-wholly-owned subsidiary of COSCO Company)	17.53%
Florens (BVI, a wholly-owned subsidiary of COSCO Pacific)	100%	Helen Insurance (HK, a wholly-owned subsidiary of CS Hong Kong)	100%	Long Honour (BVI, a wholly-owned subsidiary of COSCO HK and directly and indirectly holds a 22.58% equity interest in CIMC)	100%
		CS Finance (PRC, a non-wholly-owned subsidiary of CS Company and in which CS Container holds a 25% equity interest)	40%	CBHB (PRC, in which COSCO Company holds a minority interests)	13.67%
		CS Leasing (PRC, a wholly-owned subsidiary of CS Company)	100%		
		CS Investment (PRC, a wholly-owned subsidiary of CS Company)	100%		

Immediately after the Completion, all the equity interests as stated above shall be acquired by CS Container in accordance with the Equity Acquisition Agreements. Besides, given the Proposed Transactions do not involve the issue of new shares or transfer of existing shares of CS Container, CS Company will continue to be the controlling shareholder of CS Container and such Target Entities which will become subsidiaries of CS Container upon the Competition (the "**Controlled Target Entities**").

II. RELATIONSHIP BETWEEN THE TARGET ENTITIES AND CS GROUP

Having considered the following factors, CS Container believes that the Enlarged Group can conduct its business independently from CS Group and its associates after the Completion.

A. Asset Independence

Each Controlled Target Entities independently owns a complete set of assets necessary for its production and operations.

B. Operational Independence

Each Controlled Target Entities has a complete business system which is clearly delineated from the retained business of CS Group, without reliance on CS Group or other connected persons in any material respects. The retained businesses of CS Group are not included in the scope of this Reconstructuring due to the restrictions imposed by the laws, regulations and policies and/or whose relevant conditions are not in line with the long-term strategy of CS Container Group. There is no material competition or unfair connected transactions between the Controlled Target Entities and the retained business of CS Group.

C. Financial Independence

Each Controlled Target Entities has independent financial accounting systems, conducts independent accounting and makes independent financial decisions pursuant to its articles of association. Each Controlled Target Entities opens independent bank accounts with the banks without any shared use with CS Company. Each Controlled Target Entities pays taxes as an independent tax payer without mixed or joint payments with the CS Company.

Each Controlled Target Entities has full control of its entire assets. Neither any assets nor funds of each Controlled Target Entities are taken by the controlling shareholders which would be detrimental to the interests of each Controlled Target Entities. There is no interference of each Controlled Target Entities' use of funds by CS Company.

D. Institutional Independence

Each Controlled Target Entities has established its shareholders' meetings, board of directors, board of supervisors (where applicable) and operational management and terms of reference of each function. Each Controlled Target Entities has established standardized and effective corporate governance and organizational structure based on its business characteristics and business development needs. Each Controlled Target Entities has the discretion to establish institutes, and it has set up independent functional departments. Each functional department of each Controlled Target Entities has clear responsibilities, performs its duties independently and cooperates with each other to ensure the standardized operation of each Controlled Target Entities.

E. Personnel Independence

Each Controlled Target Entities has established relevant labor, human resources and remuneration systems pursuant to the relevant labor laws and regulations. The directors, supervisors (where applicable) and senior management of each Controlled Target Entities are elected or appointed in strict compliance with the applicable company law and their respective articles of association. Each Controlled Target Entities is independent from CS Company and any of their respective controlled companies in areas such as the contractual relationship of the employees, the established human resources system and social welfare. Some of the directors, supervisors (where applicable) or senior management of each Controlled Target Entities also hold directors or senior management positions in CS Company, the details of which as of the Latest Practicable Date are as follows:

1. Zhang Guofa, an executive Director and the chairman of CS Container, is also a director and general manager of CS Company;

2. Xu Donggeng, a director of CS Finance and CS Investment, is also a director of CS Company;

3. Xu Wenrong, a Supervisor, is also the leader of the discipline inspection team of CS Company;

4. Huang Xiaowen, an executive Director and the vice chairman of CS Container, the chairman of Helen Insurance, is also a deputy general manager of CS Company;

5. Ding Nong, a non-executive Director, is also a deputy general manager of CS Company;

6. Yu Zenggang, a non-executive Director, is also a deputy general manager and the secretary of the board of CS Company;

7. Ye Hongjun, a Supervisor, is also the general counsel of CS Company; and

8. Yang Jigui, a non-executive Director, the chairman of CS Leasing, CS Investment and CS Finance, a director of Dong Fang International and CS Nauticgreen, is also a vice chief financial officer of CS Company.

Upon the Completion, in the event of any conflict of interest concerning transactions between CS Container and CS Company, Directors holding positions with CS Company will abstain from voting with regard to the relevant resolutions. The disinterested Directors (including executive Directors, non-executive Directors and independent non-executive Directors, as applicable), with sufficient knowledge of the business of the Enlarged Group, will be able to make decisions on the relevant resolutions in the interest of CS Container and its Shareholders, taken as a whole.

As at the Latest Practicable Date, CS Container has no outstanding options, warrants and securities convertible or exchangeable into the Shares. Given the Proposed Transactions do not involve the issue of new shares or transfer of existing shares of CS Container, the shareholding structure of CS Container will remain unchanged before and after the Completion.

Details of the shareholding structure of CS Container as of the date of this circular is set out below:

Name	**Class of shares**	**Number of underlying H shares**	**Percentage in the relevant class of share capital** *(%)*	**Percentage in total share capital** *(%)*
CS Company	A Shares	5,280,795,012	66.57	45.20
	H Shares	100,944,000	2.69	0.86
Public	A Shares	2,651,329,988	33.43	22.69
	H Shares	3,650,056,000	97.31	31.25
Total		**11,683,125,000**	**100.00**	**100.00**

BUSINESS OVERVIEW

Dong Fang International is principally engaged in the container leasing, chassis leasing, container management and container trading businesses.

Florens is principally engaged in the container leasing, management and sales, finance leasing and their related businesses.

Helen Insurance is principally engaged in the provision of marine insurance brokerage services.

CS Nauticgreen is principally engaged in the ship leasing businesses. Dong Fang International was a wholly owned subsidiary of CS Nauticgreen from July 2011 to November 2013. In November 2013, CS Nauticgreen transferred its entire equity interest in Dong Fang International and its subsidiaries and associates to China Shipping (Hong Kong) Holdings Co., Limited in exchange for a consideration of US$364.5 million.

CS Leasing is principally engaged in providing financing to customers for a wide array of assets under finance lease arrangements and operating lease arrangements. It is also engaged in the provision of leasing advisory services.

CS Investment is principally engaged in the container manufacturing business as well as the financial equity investment business and related services.

CS Finance is principally engaged in the provision of deposit services, credit services, financing and financial consulting, credit verification and related consultation and agency services, as well as settlement and liquidation services.

COSCO Finance is principally engaged in the deposit settlement, loans, finance leasing, notes, investment and foreign exchange trading and settlement businesses.

Long Honour is principally engaged in the investment holding business.

CBHB is primarily engaged in the banking business, including corporate banking, personal banking and financial markets businesses.

FINANCIAL OVERVIEW

The summary of audited historical consolidated statements of profit or loss or income statements, as applicable, for 2012, 2013 and 2014 and for the nine months ended September 30, 2015 and unaudited historical consolidated statements of profit or loss or income statements, as applicable, for the nine months ended September 30, 2014 of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance and Long Honour, and audited historical income statements for 2012, 2013 and 2014, and unaudited historical income statement for the nine months ended

September 30, 2015 of CBHB set forth below are derived from the consolidated financial information of these companies, including the notes thereto (where applicable), which are set forth in Appendices I-A to I-J of this circular. The financial statements of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance and Long Honour have been prepared in accordance with HKFRSs. The financial information of CBHB have been prepared in accordance with PRC GAAP.

Dong Fang International

Consolidated statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of US$)				
Revenue	89.8	85.6	106.9	78.5	91.9
Costs of sales	(36.9)	(29.9)	(39.7)	(28.0)	(31.6)
Gross profit	52.8	55.7	67.1	50.5	60.3
Other income and gains, net	20.6	23.4	8.5	6.7	9.6
Administrative expenses	(7.9)	(9.9)	(12.9)	(8.3)	(9.3)
Share of profits/(losses) of associates	5.8	(1.8)	(0.8)	1.7	1.1
Other expenses	(2.3)	(0.3)	(0.2)	(0.2)	–
Finance costs	(8.4)	(8.5)	(17.5)	(13.1)	(17.3)
Profit before tax	60.7	58.6	44.1	37.4	44.4
Income tax expenses	(1.4)	(1.2)	(1.3)	(1.4)	(0.9)
Profit for the year/period attributable to owners of the parent	59.3	57.3	42.9	36.0	43.4

Florens

Consolidated income statements

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of US$)				
Revenue	336.2	347.7	357.1	269.3	239.3
Cost of sales	(151.7)	(170.0)	(208.9)	(157.2)	(140.1)
Gross profit	184.6	177.8	148.1	112.1	99.2
Administrative expenses	(28.0)	(27.3)	(26.1)	(18.0)	(14.4)
Other income	1.2	1.9	1.0	0.6	4.4
Other (loss)/gain, net	(0.9)	(0.5)	(0.8)	7.1	0.9
Operating profit	156.9	151.9	122.3	101.9	90.1
Finance income	0.9	0.5	0.9	0.6	0.7
Finance costs	(14.7)	(22.2)	(22.8)	(16.9)	(16.0)
Profit before income tax	143.0	130.2	100.4	85.6	74.8
Income tax expenses	(2.5)	(3.1)	(2.7)	(2.2)	(2.1)
Profit for the year/period	140.5	127.1	97.7	83.4	72.7
Profit attributable to:					
Equity holder of Florens	139.0	124.8	96.0	82.4	71.2
Non-controlling interest	1.4	2.2	1.7	1.0	1.5
	140.5	127.1	97.7	83.4	72.7

Helen Insurance

Statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of HK$)				
Revenue	31.4	34.1	35.6	28.2	28.7
Costs of sales	(7.8)	(6.7)	(5.2)	(3.9)	(3.3)
Gross profit	23.6	27.3	30.4	24.4	25.3
Other gains, net	0.1	0.1	0.1	0.2	–
Selling and distribution expenses	(9.5)	(9.1)	(9.7)	(6.9)	(7.6)
Profit before tax	14.3	18.3	20.7	17.7	17.7
Income tax expenses	(2.4)	(2.9)	(3.4)	(3.0)	(2.9)
Profit for the year/period	11.9	15.4	17.3	14.7	14.8

CS Nauticgreen

Consolidated statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of US$)				
Revenue	89.8	71.0	–	–	–
Cost of sales	(36.9)	(26.5)	–	–	–
Gross profit	52.8	44.4	–	–	–
Other income and gains, net	20.6	22.8	–	–	–
Gain on disposal of subsidiaries and associates	–	6.7	–	–	–
Administrative expenses	(7.9)	(7.0)	–	–	–
Share of profits of associates	5.8	2.3	–	–	–
Other expenses	(2.3)	(0.3)	–	–	–
Finance costs	(8.4)	(6.4)	–	–	–
Profit before tax	60.7	62.7	–	–	–
Income tax expenses	(1.4)	(1.2)	–	–	–
Profit for the year/period attributable to the owners of the parent	59.3	61.5	–	–	–

CS Leasing

Consolidated statements of profit or loss

	From 29 August (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014 *(Unaudited)*	2015
	(in millions of RMB)			
Revenue	–	–	–	131.7
Costs of sales	–	–	–	(26.1)
Gross profit	–	–	–	105.5
Other income and gains	4.0	13.0	10.7	3.3
Administrative expenses	(0.5)	(1.7)	–	(34.5)
Profit before tax	3.5	11.4	10.7	74.4
Income tax expenses	(0.9)	(2.9)	(2.7)	(18.8)
Profit for the year/period	2.6	8.5	8.0	55.6
Attributable to:				
Owners of the parent	2.6	8.5	8.0	55.6

CS Investment

Consolidated statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of RMB)				
Revenue	2,356.7	2,979.4	3,630.8	2,612.3	2,736.8
Costs of sales	(2,063.9)	(2,676.3)	(3,134.1)	(2,245.4)	(2,371.2)
Gross profit	292.8	303.1	496.7	366.9	365.6
Other income and gains	28.2	26.6	154.7	29.7	91.8
Selling and distribution expenses	(36.5)	(145.2)	(289.4)	(189.4)	(156.3)
Administrative expenses	(99.0)	(100.4)	(110.8)	(71.8)	(68.0)
Other expenses	(2.1)	(24.0)	(1.0)	(0.4)	(1.2)
Finance costs	(6.8)	(7.2)	(31.9)	(14.9)	(38.2)
Share of (losses)/profits of associates	(5.1)	64.5	126.0	97.2	90.1
Gain on disposal of a subsidiary	–	–	54.5	–	–
Profit before tax	171.6	117.3	398.9	217.2	283.8
Income tax expenses	(36.7)	(14.1)	(79.5)	(61.2)	(49.4)
Profit for the year/period	134.8	103.3	319.4	156.0	234.4
Attributable to:					
Owners of the parent	98.3	93.5	306.2	143.6	214.3
Non-controlling interests	36.5	9.8	13.2	12.4	20.1
	134.8	103.3	319.4	156.0	234.4

CS Finance

Statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
			(in millions of RMB)		
Interest income	441.3	389.9	425.4	319.6	276.6
Interest expense	(178.1)	(120.3)	(124.0)	(87.7)	(99.8)
Net interest income	263.2	269.5	301.4	232.0	176.9
Net fee and commission income	3.7	2.7	2.3	1.9	2.8
Other income and gains, net	0.1	21.3	33.1	10.4	51.8
Net operating income	267.1	293.5	336.7	244.2	231.5
Operating expenses	(46.9)	(50.1)	(56.1)	(36.7)	(35.3)
(Charge)/reversal of impairment losses on loans	(18.4)	(22.4)	3.4	2.7	23.2
Profit before tax	201.8	220.9	284.0	210.3	219.4
Income tax expense	(50.8)	(55.3)	(71.1)	(52.6)	(45.9)
Profit for the year/period	151.0	165.6	212.9	157.7	173.5

COSCO Finance

Consolidated statements of profit or loss

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
			(in millions of RMB)		
Interest income	964.9	897.5	919.0	723.6	496.9
Interest expense	(685.3)	(497.4)	(506.3)	(395.3)	(321.5)
Net interest income	279.6	400.0	412.8	328.4	175.3
Fee and commission income	0.8	0.6	0.3	0.2	0.3
Other income	67.1	62.2	813.7	659.4	381.4
Other gain/(losses)	3.3	(5.8)	0.4	0.2	4.2
Operating income	350.8	457.0	1,227.2	988.2	561.2
Operating expenses	(42.8)	(47.0)	(78.8)	(48.2)	(71.3)
Profit before taxation	308.0	410.0	1,148.3	940.0	490.0
Income tax	(76.7)	(102.2)	(279.8)	(229.1)	(122.5)
Profit for the year/period	231.3	307.8	868.6	710.8	367.5

Long Honour

Consolidated income statements

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
	(in millions of US$)				
Dividend income	1.8	–	–	–	–
Administrative expenses	–	–	–	–	–
Other gains/(losses), net	0.1	36.5	(0.1)	(0.1)	(0.7)
Operating profit/(loss)	1.9	36.5	(0.1)	(0.1)	(0.7)
Finance income	–	–	–	–	–
Operating profit/(loss) after finance income	1.9	36.5	(0.1)	(0.1)	(0.7)
Gains on dilution of investment in an associate	–	–	1.4	1.1	4.5
Share of profits of an associate	–	59.3	83.2	53.6	55.8
Profit before income tax	1.9	95.8	84.5	54.6	59.6
Income tax expenses	(0.2)	(6.1)	(9.4)	(6.2)	(5.8)
Profit for the year/period	1.7	89.7	75.1	48.4	53.8

CBHB

Income statement

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
				(Unaudited)
	(in millions of RMB)			
Interest income	20,535.3	27,133.8	36,527.5	29,877.4
Interest expense	(12,989.1)	(16,619.1)	(23,095.1)	(18,715.5)
Net interest income	7,546.2	10,514.7	13,432.4	11,161.9
Net fee and commission income	1,777.1	1,914.7	2,698.1	2,504.0
Net (loss)/gains on investments	(14.9)	46.5	(57.0)	74.7
Net gains/(loss) on changes of fair value	112.3	328.4	(511.8)	(24.3)
Foreign exchanges gains/(loss)	39.1	(16.4)	(61.2)	(94.4)
Other operating income	–	–	71.9	(73.4)
Operating income	9,459.7	12,787.9	15,572.5	13,548.5
Business tax and surcharges	(636.7)	(763.6)	(935.2)	(734.3)
General and administrative expenses	(3,649.4)	(4,442.2)	(5,433.1)	(4,064.2)
Impairment losses on assets	(722.9)	(1,619.0)	(2,713.1)	(2,649.9)
Other operating expenses	(46.4)	(44.2)	(49.4)	(27.5)
Operating expenses	(5,055.4)	(6,868.9)	(9,130.7)	(7,475.9)
Net non-operating income	(0.8)	32.3	40.0	2.3
Net income before tax	4,403.5	5,951.3	6,481.3	6,074.9
Income tax expenses	(1,064.3)	(1,389.0)	(1,450.1)	(1,313.7)
Net profit	3,339.2	4,562.4	5,031.3	4,761.2

FINANCIAL POSITION

Dong Fang International

Total assets of Dong Fang International were US$718.7 million, US$1,014.9 million, US$1,207.3 million and US$1,403.3 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised property, plant and equipment, which primarily comprised containers, and finance lease receivables in connection with the lease of containers.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Dong Fang International were US$409.4 million, US$646.7 million, US$796.3 million and US$950.2 million, respectively, which were primarily made up of bank and other borrowings. Bank and other borrowings primarily comprised bank loans and notes payable.

The net assets of Dong Fang International totaled US$309.4 million, US$368.2 million, US$411.0 million and US$453.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Florens

Total assets of Florens were US$2,038.2 million, US$2,112.1 million, US$2,183.8 million and US$2,152.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised property, plant and equipment. The main component of property, plant and equipment was containers.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Florens were US$1,113.1 million, US$1,108.4 million, US$1,082.8 million and US$983.9 million, respectively, which primarily comprised long term bank loans.

The net assets of Florens totaled US$925.1 million, US$1,003.7 million, US$1,100.9 million and US$1,168.6 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Helen Insurance

Total assets of Helen Insurance were HK$75.2 million, HK$80.8 million, HK$85.6 million and HK$110.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which primarily comprised restricted cash. Restricted cash are balances in client accounts received from clients for the purpose of paying insurance premiums or settling insurance claims.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Helen Insurance were HK$53.7 million, HK$54.0 million, HK$56.4 million and HK$84.0 million, respectively, which were mainly made up of amounts due to fellow subsidiaries and trade payables. Amounts due to fellow subsidiaries comprised primarily commission payable and deposit premiums and are interest free, unsecured and have no fixed terms of repayment.

The net assets of Helen Insurance totaled HK$21.5 million, HK$26.8 million, HK$29.2 million and HK$26.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CS Nauticgreen

Total assets of CS Nauticgreen were US$718.6 million, US$364.5 million, US$242.7 million and US$234.5 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets of CS Nauticgreen as at 31 December 2012 primarily comprised property, plant and equipment. Total assets of CS Nauticgreen as at 31 December 2013 and 2014 and 30 September 2015 primarily comprised amount due from immediate holding company, which is unsecured, interest-bearing and repayable on demand. Amount due from immediate holding company primarily comprised the proceeds from CS Nauticgreen's disposal of its entire equity interest in Dong Fang International and its subsidiaries and associates to China Shipping (Hong Kong) Holdings Co., Limited in exchange for a consideration of US$364.5 million.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CS Nauticgreen were US$409.4 million, US$0.1 million, US$16.4 million and US$8.3 million, respectively. Such amounts primarily comprised amounts due to fellow subsidiaries, which are unsecured, interest free and repayable on demand.

The net assets of CS Nauticgreen totaled US$309.3 million, US$364.4 million, US$226.3 million and US$226.2 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CS Leasing

Total assets of CS Leasing were RMB504.0 million, RMB517.0 million and RMB3,281.2 million as at 31 December 2013 and 2014 and 30 September 2015, respectively. Such amounts primarily comprised loans and account receivables, as well as cash and cash equivalents. Loans and account receivables primarily comprised lease receivables.

As at 31 December 2013 and 2014 and 30 September 2015, total liabilities of CS Leasing were RMB1.4 million, RMB5.9 million and RMB1,714.5 million, respectively. Such amounts primarily comprised amounts due to related parties, including primarily China Shipping (Group) Company and fellow subsidiaries of China Shipping (Group) Company, as well as interest bearing bank and other borrowings.

The net assets of CS Leasing totaled RMB502.6 million, RMB511.1 million and RMB1,566.7 million, as at 31 December 2013 and 2014 and 30 September 2015, respectively.

CS Investment

Total assets of CS Investment were RMB5,039.4 million, RMB5,404.4 million, RMB6,051.5 million and RMB5,016.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised investments in associates and cash and cash equivalents.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CS Investment were RMB2,696.0 million, RMB1,780.4 million, RMB2,327.3 million and RMB1,806.0 million, respectively. Such totals were primarily made up of amounts due to related parties and trade and bill payables. Amounts due to related parties primarily comprised amounts due to China Shipping (Group) Company and fellow subsidiaries of China Shipping (Group) Company, and are interest free, unsecured and have no fixed terms of repayment.

The net assets of CS Investment totaled RMB2,343.3 million, RMB3,624.0 million, RMB3,724.2 million and RMB3,210.1 million, as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CS Finance

Total assets of CS Finance were RMB10,018.5 million, RMB9,768.6 million, RMB11,198.4 million and RMB7,732.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Total assets primarily comprised amounts due from banks, loans to fellow subsidiaries and loans to other related parties.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CS Finance were RMB9,189.8 million, RMB8,841.5 million, RMB10,116.3 million and RMB6,608.8 million, respectively, which primarily comprised deposits from fellow subsidiaries of China Shipping (Group) Company.

The net assets of CS Finance totaled RMB828.7 million, RMB927.1 million, RMB1,082.1 million and RMB1,123.3 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

COSCO Finance

Total assets of COSCO Finance were RMB20,849.8 million, RMB25,880.6 million, RMB28,573.3 million and RMB23,608.1 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were mainly made up of balances with other banks and balances with the central bank. Balances with other banks primarily comprised deposits with banks operating in the PRC. Balances with central bank comprised statutory deposit reserves.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of COSCO Finance were RMB18,686.2 million, RMB23,596.8 million, RMB25,672.4 million and RMB21,066.2 million respectively, which were mainly made up of deposits from customers. Deposits from customers primarily comprised deposits from immediate holding company of COSCO Finance, shareholders of COSCO Finance and fellow subsidiaries of China Ocean Shipping (Group) Company.

The net assets of COSCO Finance totaled RMB2,163.6 million, RMB2,283.8 million, RMB2,900.9 million and RMB2,541.9 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Long Honour

Total assets of Long Honour were US$38.7 million, US$1,310.9 million, US$1,356.8 million and US$1,384.0 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were mainly made up of investment in an associate.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of Long Honour were nil, US$1,231.2 million, US$1,214.0 million and US$1,208.4 million, respectively, which were mainly made up of amount due to immediate holding company.

The net assets of Long Honour were US$38.7 million, US$79.7 million, US$142.8 million and US$175.6 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

CBHB

Total assets of CBHB were RMB472,102.1 million, RMB568,211.0 million, RMB667,147.5 million and RMB786,003.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. Such amounts were primarily made up of loans and advances to customers, which were primarily corporate loans and advances, and investment receivables.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, total liabilities of CBHB were RMB452,289.9 million, RMB544,013.7 million, RMB637,651.3 million and RMB751,496.1 million, respectively. Such amounts primarily comprised customer deposits, which were primarily corporate deposits, and due to banks and other financial institutions.

The net assets of CBHB totaled RMB19,812.2 million, RMB24,197.3 million, RMB29,496.3 million and RMB34,507.8 million as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Details of the liquidity and financial resources and capital structure of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance, Long Honour and CBHB are set out as below.

Dong Fang International

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Dong Fang International recorded current liabilities of US$195.2 million, US$264.0 million, US$230.3 million and US$324.5 million, respectively, and had gearing ratios (calculating by dividing total debt over shareholders' equity) of approximately 132.3%, 175.7%, 193.8% and 209.7%, respectively.

Florens

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Florens recorded current liabilities of US$366.4 million, US$424.9 million, US$471.2 million and US$ 372.5 million, respectively, and had gearing ratios (calculating by dividing bank borrowings and shareholder loans over total equity) of approximately 115.6%, 103.1%, 89.1% and 79.1%, respectively.

Helen Insurance

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Helen Insurance recorded current liabilities of HK$53.7 million, HK$54.0 million, HK$56.4 million and HK$84.0 million, respectively, and had gearing ratios (calculating by dividing net debt over the sum of net debt and shareholder's equity) of approximately 70.0%, 63.0%, 65.0% and 75.0%, respectively.

CS Nauticgreen

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Nauticgreen recorded current liabilities of US$195.2 million, US$0.1 million, US$16.4 million and US$8.3 million, respectively, and had gearing ratios (calculating by dividing interest-bearing bank borrowings over shareholder's equity) of approximately 126.5%, nil, nil and nil, respectively.

CS Leasing

As at 31 December 2013 and 2014 and 30 September 2015, CS Leasing recorded current liabilities of RMB1.4 million, RMB5.9 million and RMB1,043.4 million, respectively, and had gearing ratios (calculating by dividing total debt over total assets) of approximately 0.3%, 1.1% and 52.3%, respectively.

CS Investment

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Investment recorded current liabilities of RMB2,696.0 million, RMB1,475.6 million, RMB2,311.3 million and RMB1,805.6 million, respectively, and had gearing ratios (calculating by dividing total debt by total assets) of 53.5%, 32.9%, 38.5% and 36.0%, respectively.

CS Finance

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CS Finance recorded total liabilities of RMB9,189.8 million, RMB8,841.5 million, RMB10,116.3 million and RMB6,608.8 million, respectively, and had gearing ratios (calculating by dividing total debt over total assets) of 91.7%, 90.5%, 90.3% and 85.5%, respectively.

COSCO Finance

As at 31 December 2012, 2013 and 2014 and 30 September 2015, COSCO Finance recorded total liabilities of RMB18,686.2 million, RMB23,596.8 million, RMB25,673.4 million and RMB21,066.2 million, respectively, and had gearing ratios (calculating by dividing total debt over total assets) of approximately 89.6%, 91.2%, 89.8% and 89.2%, respectively.

Long Honour

As at 31 December 2012, 2013 and 2014 and 30 September 2015, Long Honour recorded current liabilities of nil, US$1,199.8 million, US$1,175.9 million and US$1,167.4 million, respectively, and had gearing ratios (calculating by dividing total debt over total assets) of approximately nil, 93.9%, 89.5% and 87.3%, respectively.

CBHB

As at 31 December 2012, 2013 and 2014 and 30 September 2015, CBHB recorded total liabilities of RMB452,289.9 million, RMB544,013.7 million, RMB637,651.3 million and RMB751,496.1 million, respectively.

BUSINESS PERFORMANCE

Dong Fang International

Dong Fang International is principally engaged in the container leasing, chassis leasing, container management and container trading businesses. Dong Fang International does not expect any upcoming changes in its industries or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was US$91.9 million, representing an increase of US$13.4 million from US$78.5 million for the nine months ended 30 September 2014. Such increase was primarily due to an increase in the revenue from container leasing.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was US$31.6 million, representing an increase of US$3.6 million from US$28.0 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in depreciation as a result of the increase in average fleet size of containers for operating lease as Dong Fang International expanded its container leasing business.

Finance Costs

Finance costs for the nine months ended 30 September 2015 were US$17.3 million, representing an increase of US$4.2 million from US$13.1 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in notes payable and bank borrowings.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent for the nine months ended 30 September 2015 was US$43.4 million, representing an increase of US$7.4 million from US$36.0 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was US$106.8 million, representing an increase of US$21.2 million from US$85.6 million for the year ended 31 December 2013. Such increase was primarily due to an increase in the revenue from container leasing.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was US$39.7 million, representing an increase of US$9.8 million from US$29.9 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in depreciation as a result of the increase in average fleet size of containers for operating lease as Dong Fang International expanded its container leasing business.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2014 was US$8.5 million, representing a decrease of US$14.9 million from US$23.4 million for the year ended 31 December 2013. Such decrease primarily reflected a decrease in the gain on disposals of items of property, plant and equipment.

Finance Costs

Finance costs for the year ended 31 December 2014 were US$17.5 million, representing an increase of US$9.0 million from US$8.5 million for the year ended 31 December 2013. Such increase was mainly due to an increase in notes payable.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was US$42.9 million, representing a decrease of US$14.4 million from US$57.3 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was US$85.6 million, representing a decrease of US$4.2 million from US$89.8 million for the year ended 31 December 2012. Such decrease was primarily due to a decrease in the revenue from container leasing.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was US$29.9 million, representing a decrease of US$7.0 million from US$36.9 million for the year ended 31 December 2012. Such decrease was primarily attributable to a decrease in depreciation as a result of upward adjustments in the residual value for certain containers for operating lease based on market trend.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2013 was US$23.4 million, representing an increase of US$2.8 million from US$20.6 million for the year ended 31 December 2012. Such increase primarily reflected an increase in gains from the disposal of items of property, plant and equipment.

Finance Costs

Finance costs for the year ended 31 December 2013 were US$8.5 million, representing an increase of US$0.1 million from US$8.4 million for the year ended 31 December 2012. Such increase was mainly due to an increase in notes payable, partially offset by a decrease in bank borrowings.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2013 was US$57.3 million, representing a decrease of US$2.0 million from US$59.3 million for the year ended 31 December 2012.

Florens

Florens is principally engaged in the container leasing, management and sale, finance leasing and their related businesses. Florens does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was US$239.3 million, representing a decrease of US$30.0 million from US$269.3 million for the nine months ended 30 September 2014. Such decrease was mainly due to a decrease in the number of containers sold and a decrease in the average selling price of containers.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was US$140.1 million, which represented a decrease of US$17.1 million from US$157.2 million for the nine months ended 30 September 2014. Such decrease primarily reflected a decrease in the number of containers sold, partially offset by an increase in rental expenses under operating leases for containers leased from third parties.

Profit for the Period

Profit for the nine months ended 30 September 2015 was US$72.7 million, representing a decrease of US$10.7 million from US$83.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was US$357.1 million, representing an increase of US$9.4 million from US$347.7 million for the year ended 31 December 2013. Such increase was mainly due to an increase in operating lease rentals on containers and an increase in sales of inventories.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was US$208.9 million, which represented an increase of US$38.9 million from US$170.0 million for the year ended 31 December 2013. Such increase primarily reflected an increase in cost of inventories sold as a result of an increase in the number of containers sold, as well as an increase in depreciation of containers as a result of increases in containers used in operating leases.

Profit for the Year

Profit for the year ended 31 December 2014 was US$97.7 million, representing a decrease of US$29.4 million from US$127.1 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was US$347.7 million, representing an increase of US$11.5 million from US$336.2 million for the year ended 31 December 2012. Such increase was mainly due to an increase in operating lease rentals on containers.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was US$170.0 million, which represented an increase of US$18.3 million from US$151.7 million for the year ended 31 December 2012. Such increase primarily reflected an increase in cost of inventories sold as a result of an increase in the number of containers sold, as well as an increase in depreciation of containers as a result of increases in containers used in operating leases.

Profit for the Year

Profit for the year ended 31 December 2013 was US$127.1 million, representing a decrease of US$13.4 million from US$140.5 million for the year ended 31 December 2012.

Helen Insurance

Helen Insurance is principally engaged in the provision of marine insurance brokerage services. Helen Insurance does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was HK$28.7 million, representing an increase of HK$0.5 million from HK$28.2 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in insurance brokerage commission income.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was HK$3.3 million, which represented a decrease of HK$0.6 million from HK$3.9 million for the nine months ended 30 September 2014. Such decrease was primarily due to a decrease in employee benefit expenses.

Selling and Distribution Expenses

Selling and distribution expenses for the nine months ended 30 September 2015 were HK$7.6 million, representing an increase of HK$0.7 million from HK$6.9 million for the nine months ended 30 September 2014. Such increase was mainly due to an increase in financial administrative management fees and employee benefit expenses.

Profit for the Period

Profit for the nine months ended 30 September 2015 was HK$14.8 million, representing an increase of HK$0.1 million from HK$14.7 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was HK$35.6 million, representing an increase of HK$1.5 million from HK$34.1 million for the year ended 31 December 2013. Such increase was mainly due to an increase in insurance brokerage commission income.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was HK$5.2 million, which represented a decrease of HK$1.5 million from HK$6.7 million for the year ended 31 December 2013. Such decrease primarily reflected a reclassification of entertainment expenses from cost of sales to selling and distribution expenses.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2014 were HK$9.7 million, representing an increase of HK$0.6 million from HK$9.1 million for the year ended 31 December 2013. Such increase was mainly due to an increase in employee benefit expenses.

Profit for the Year

Profit for the year ended 31 December 2014 was HK$17.3 million, representing an increase of HK$1.9 million from HK$15.4 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was HK$34.1 million, representing an increase of HK$2.7 million from HK$31.4 million for the year ended 31 December 2012. Such increase was mainly due to an increase in insurance brokerage commission income.

Cost of Sales

Cost of sales for the year ended 31 December 2013 was HK$6.7 million, which represented a decrease of HK$1.1 million from HK$7.8 million for the year ended 31 December 2012. Such decrease was primarily due to a decrease in employee benefit expenses.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2013 were HK$9.1 million, representing a decrease of HK$0.4 million from HK$9.5 million for the year ended 31 December 2012. Such decrease was mainly due to a decrease in employee benefit expenses.

Profit for the Year

Profit for the year ended 31 December 2013 was HK$15.4 million, representing an increase of HK$3.5 million from HK$11.9 million for the year ended 31 December 2012.

CS Nauticgreen

CS Nauticgreen is principally engaged in the ship leasing businesses. CS Nauticgreen does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was nil, while total revenue for the year ended 31 December 2013 was US$71.0 million. Total revenue for the year ended 31 December 2014 was nil because all the ships under its ship leasing business were under construction. Total revenue for the year ended 31 December 2013 primarily comprised revenue from container leasing.

Cost of Sales

Cost of sales for the year ended 31 December 2014 was nil, while cost of sales for the year ended 31 December 2013 was US$26.5 million. Cost of sales for the year ended 31 December 2014 was nil because all the ships under its ship leasing business were under construction. Cost of sales for the year ended 31 December 2013 primarily comprised depreciation of containers.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2014 was nil, while other income and gains, net for the year ended 31 December 2013 was US$22.8 million. Other income and gains, net for the year ended 31 December 2013 primarily comprised gain on disposal of items of property, plant and equipment.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for the year ended 31 December 2014 was nil, while profit for the year attributable to owners of the parent for the year ended 31 December 2013 was US$61.5 million.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was US$71.0 million, representing a decrease of US$18.8 million from US$89.8 million for the year ended 31 December 2012. Such decrease was primarily due to a decrease in the revenue from container leasing.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was US$26.5 million, representing a decrease of US$10.4 million from US$36.9 million for the year ended 31 December 2012. Such decrease was primarily attributable to a decrease in depreciation.

Other Income and Gains, Net

Other income and gains, net for the year ended 31 December 2013 was US$22.8 million, representing an increase of US$2.2 million from US$20.6 million for the year ended 31 December 2012. Such increase primarily reflected an increase in gain on disposal of items of property, plant and equipment.

Profit for the Year Attributable to the Owners of the Parent

Profit for the year attributable to the owners of the parent for the year ended 31 December 2013 was US$61.5 million, representing a decrease of US$2.2 million from US$59.3 million for the year ended 31 December 2012.

CS Leasing

CS Leasing began its business operation in December 2014 and principally engaged in providing financing to customers for a wide array of assets under finance lease arrangements and operating lease arrangements. It is also engaged in the provision of leasing advisory services. CS Leasing does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB131.7 million, while total revenue for the nine months ended 30 September 2014 was nil. Total revenue for the nine months ended 30 September 2015 primarily comprised financial leasing income and service fee income.

Cost of Sales

Cost of sale for the nine months ended 30 September 2015 was RMB26.1 million, while cost of sales for the nine months ended 30 September 2014 was nil. Cost of sales for the nine months ended 30 September 2015 primarily comprised value-added tax and surcharges.

Other Income and Gains

Other income and gains for the nine months ended 30 September 2015 was RMB3.3 million, representing a decrease of RMB7.4 million from RMB10.7 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to a decrease in bank interest income.

Administrative Expenses

Administrative expenses for the nine months ended 30 September 2015 was RMB34.5 million, while administrative expenses for the nine months ended 30 September 2014 was nil. Administrative expense for the nine months ended 30 September 2015 primarily comprised employee benefit expenses.

Profit for the Period

Profit for the period for the nine months ended 30 September 2015 was RMB55.6 million, representing an increase of RMB47.6 million from RMB8.0 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Period from 29 August 2013 (date of incorporation) to 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 and the period from 29 August 2013 to 31 December 2013 was nil.

Cost of Sales

Cost of sale for the year ended 31 December 2014 and the period from 29 August 2013 to 31 December 2013 was nil.

Other Income and Gains

Other income and gains for the year ended 31 December 2014 was RMB13.0 million, representing an increase of RMB9.0 million from RMB4.0 million for the period from 29 August 2013 to 31 December 2013. Such increase was primarily attributable to an increase in bank interest income.

Profit for the Year/Period

Profit for the year ended 31 December 2014 was RMB8.5 million, representing an increase of RMB5.9 million from RMB2.6 million for the period from 29 August 2013 to 31 December 2013.

CS Investment

CS Investment is principally engaged in the container manufacturing business as well as the financial equity investment business and related services. CS Investment does not expect any upcoming changes in its industries or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Revenue

Total revenue for the nine months ended 30 September 2015 was RMB2,736.8 million, representing an increase of RMB124.5 million from RMB2,612.3 million for the nine months ended 30 September 2014. Such increase was primarily due to an increase in the sale of containers.

Cost of Sales

Cost of sales for the nine months ended 30 September 2015 was RMB2,371.2 million, representing an increase of RMB125.8 million from RMB2,245.4 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in cost of containers sold.

Other Income and Gains

Other income and gains for the nine months ended 30 September 2015 was RMB91.8 million, representing an increase of RMB62.1 million from RMB29.7 million for the nine months ended 30 September 2014. Such increase was primarily attributable to increases in foreign exchange gains and dividend income from available-for-sale listed investments.

Selling and Distribution Expenses

Selling and distribution expenses for the nine months ended 30 September 2015 was RMB156.3 million, representing a decrease of RMB33.1 million from RMB189.4 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to a decrease in shipping costs resulting from each facility's effort to delivery at port.

Profit for the Period

Profit for the nine months ended 30 September 2015 was RMB234.4 million, representing an increase of RMB78.4 million from RMB156.0 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Revenue

Total revenue for the year ended 31 December 2014 was RMB3,630.8 million, representing an increase of RMB651.4 million from RMB2,979.4 million for the year ended 31 December 2013. Such increase was primarily due to an increase in the sale of containers.

Cost of Sales

Cost of sale for the year ended 31 December 2014 was RMB3,134.1 million, representing an increase of RMB457.8 million from RMB2,676.3 million for the year ended 31 December 2013. Such increase was in line with the increase in revenue and primarily attributable to an increase in cost of inventories sold as a result of an increase in the number of containers sold.

Other Income and Gains

Other income and gains for the year ended 31 December 2014 was RMB154.7 million, representing an increase of RMB128.1 million from RMB26.6 million for the nine months ended 31 December 2013. Such increase was primarily attributable to gains from disposal of available-for-sale investments.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2014 was RMB289.4 million, representing an increase of RMB144.2 from RMB145.2 million for the year ended 31 December 2013. Such increase primarily reflected an increase in shipping costs resulting from an increase in the number of containers transported from CS Investment's northern plants to its customers in south China, together with an increase in costs connected with the storage of containers at CS Investment's Guangzhou plant.

Administrative Expenses

Administrative expenses for the year ended 31 December 2014 was RMB110.8 million, representing an increase of RMB10.4 million from RMB100.4 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in employee benefit expenses and office expenses.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB319.4 million, representing an increase of RMB216.1 million from RMB103.3 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue

Total revenue for the year ended 31 December 2013 was RMB2,979.4 million, representing an increase of RMB622.7 million from RMB2,356.7 million for the year ended 31 December 2012. Such increase was primarily due to an increase in the sale of containers.

Cost of Sales

Cost of sale for the year ended 31 December 2013 was RMB2,676.3 million, representing an increase of RMB612.4 million from RMB2,063.8 million for the year ended 31 December 2012. Such increase was primarily attributable to an increase in cost of containers sold.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2013 was RMB145.2 million representing an increase of RMB108.7 million from RMB36.5 million for the year ended 31 December 2012. Such increase primarily reflected an increase in shipping costs resulting from an increase in the sales of containers.

Administrative Expenses

Administrative expenses for the year ended 31 December 2013 was RMB100.4 million, representing an increase of RMB1.4 million from RMB99.0 million for the year ended 31 December 2012. Such increase was primarily attributable to an increase in bank fees.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB103.3 million, representing a decrease of RMB31.5 million from RMB134.8 million for the year ended 31 December 2012.

CS Finance

CS Finance is principally engaged in the provision of deposit services, credit services, financing and financial consulting, credit verification and related consultation and agency services, as well as settlement and liquidation services. CS Finance does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Interest Income

Interest income for the nine months ended 30 September 2015 was RMB276.6 million, representing a decrease of RMB43.0 million from RMB319.6 million for the nine months ended 30 September 2014. Such decrease was primarily due to a decrease in loans to fellow subsidiaries, partially offset by an increase in loans to other related parties.

Interest Expense

Interest expense for the nine months ended 30 September 2015 was RMB99.8 million, representing an increase of RMB12.1 million from RMB87.7 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in deposits from fellow subsidiaries.

Other Income and Gains, Net

Other income and gains, net for the nine months ended 30 September 2015 was RMB51.8 million, representing an increase of RMB41.4 million from RMB10.4 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in dividend income from available-for-sale financial investments.

Operating Expenses

Operating expenses for the nine months ended 30 September 2015 was RMB35.3 million, representing a decrease of RMB1.4 million from RMB36.7 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to a decrease in business taxes and surcharges as a result of a decrease in interest income.

Profit for the Period

Profit for the nine months ended 30 September 2015 was RMB173.5 million, representing an increase of RMB15.8 million from RMB157.7 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Interest Income

Interest income for the year ended 31 December 2014 was RMB425.4 million, representing an increase of RMB35.5 million from RMB389.9 million for the year ended 31 December 2013. Such increase was primarily due to an increase in loans to fellow subsidiaries, partially offset by a decrease in amounts due from banks.

Interest Expense

Interest expense for the year ended 31 December 2014 was RMB124.0 million, representing an increase of RMB3.7 million from RMB120.3 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in deposits from the ultimate holding company, partially offset by a decrease in deposits from fellow subsidiaries.

Operating Expenses

Operating expenses for the year ended 31 December 2014 was RMB56.1 million, representing an increase of RMB6.0 million from RMB50.1 million for the year ended 31 December 2013. Such increase primarily reflected increases in administrative expenses and business taxes and surcharges as a result of an increase in interest income.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB212.9 million, representing an increase of RMB47.3 million from RMB165.6 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Interest Income

Interest income for the year ended 31 December 2013 was RMB389.9 million, representing a decrease of RMB51.4 million from RMB441.3 million for the year ended 31 December 2012. Such decrease was primarily due to a decrease in amounts due from banks, partially offset by an increase in loans to fellow subsidiaries.

Interest Expense

Interest expense for the year ended 31 December 2013 was RMB120.3 million, representing a decrease of RMB57.8 million from RMB178.1 million for the year ended 31 December 2012. Such decrease was primarily attributable to a decrease in the balance of deposits from fellow subsidiaries and adjustments made to CS Finance's interest-bearing debt structure.

Operating Expenses

Operating expenses for the year ended 31 December 2013 was RMB50.1 million, representing an increase of RMB3.2 million from RMB46.9 million for the year ended 31 December 2012. Such increase primarily reflected an increase in administrative expenses.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB165.6 million, representing an increase of RMB14.6 million from RMB151.0 million for the year ended 31 December 2012.

COSCO Finance

COSCO Finance is principally engaged in the deposit settlement, loans, finance leasing, notes, investment and foreign exchange trading and settlement businesses. COSCO Finance does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Interest Income

Interest income for the nine months ended 30 September 2015 was RMB496.9 million, representing a decrease of RMB226.8 million from RMB723.6 million for the nine months ended 30 September 2014. Such decrease was primarily due to decreases in both the amount of and interest rate on balances with other banks.

Interest Expense

Interest expense for the nine months ended 30 September 2015 was RMB321.5 million, representing a decrease of RMB73.7 million from RMB395.3 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to a decrease in deposits from customers.

Other Income

Other income for the nine months ended 30 September 2015 was RMB381.4 million, representing a decrease of RMB278.0 million from RMB659.4 million for the nine months ended 30 September 2014. Such decrease was primarily attributable to a decrease in gains on disposal of available-for-sale financial assets, partially offset by an increase in gains on disposal of financial assets at fair value through profit or loss. Both gains on disposal of available-for-sale financial assets and gains on disposal of financial assets at fair value through profit or loss represent gains arising from the buying and selling of, interest income and expenses on, and changes in fair value of, financial assets.

Profit for the Period

Profit for the nine months ended 30 September 2015 was RMB367.8 million, representing a decrease of RMB343.0 million from RMB710.8 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Interest Income

Interest income for the year ended 31 December 2014 was RMB919.0 million, representing an increase of RMB21.6 million from RMB897.5 million for the year ended 31 December 2013. Such increase was primarily due to an increase in interest income derived from balances with the central bank and from loans and advances to customers. The increase in interest income derived from balances with the central bank was primarily due to an increase in the interest rate on balances with the central bank. The increase in interest income derived from loans and advances to customers was primarily due to an increase in the balance of loans and advances to customers.

Interest Expense

Interest expense for the year ended 31 December 2014 was RMB506.3 million, representing an increase of RMB8.8 million from RMB497.4 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in deposits from customers.

Other Income

Other income for the year ended 31 December 2014 was RMB813.7 million, representing an increase of RMB751.5 million from RMB62.2 million for the year ended 31 December 2013. Such increase primarily reflected increases in gains on disposal of available-for-sale financial assets and gains on disposal of financial assets at fair value through profit or loss.

Profit for the Year

Profit for the year ended 31 December 2014 was RMB868.6 million, representing an increase of RMB560.8 million from RMB307.8 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Interest Income

Interest income for the year ended 31 December 2013 was RMB897.5 million, representing a decrease of RMB67.4 million from RMB964.9 million for the year ended 31 December 2012. Such decrease was primarily due to a decrease in interest income from balances with other banks, partially offset by an increase in interest income from loans and advances to customers. The decrease in interest income from balances with other banks was primarily due to a decrease in the interest rate on balances with other banks. The increase in interest income from loans and advances to customers was primarily due to an increase in the balance of loans and advances to customers.

Interest Expense

Interest expense for the year ended 31 December 2013 was RMB497.4 million, representing a decrease of RMB187.8 million from RMB685.3 million for the year ended 31 December 2012. Such decrease was primarily attributable to a decrease in interest expense on deposits from customers. The decrease in interest expense on deposit from customers was primarily attributable to an decrease in the interest rate on deposits from customers.

Profit for the Year

Profit for the year ended 31 December 2013 was RMB307.8 million, representing an increase of RMB76.5 million from RMB231.3 million for the year ended 31 December 2012.

Long Honour

Long Honour is principally engaged in the investment holding business. Long Honour does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Nine Months Ended 30 September 2015 Compared to the Nine Months Ended 30 September 2014

Share of Profits of an Associate

Share of profits of an associate for the nine months ended 30 September 2015 was US$55.8 million, representing an increase of US$2.2 million from US$53.6 million for the nine months ended 30 September 2014. Such increase was primarily attributable to an increase in the net profit of CIMC.

Profit for the Period

Profit for the nine months ended 30 September 2015 was US$53.8 million, representing an increase of US$5.4 million from US$48.4 million for the nine months ended 30 September 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Other Gains or Losses, Net

Long Honour recorded an other losses, net of US$0.1 million for the year ended 31 December 2014, compared with an other gains, net of US$36.5 million for the year ended 31 December 2013. Other gains, net for the year ended 31 December 2013 primarily comprised a gain on deemed disposal of available-for-sale financial asset. Long Honour held a 0.95% equity interest in CIMC as at 31 December 2012. During the year ended 31 December 2013, Long Honour further acquired a 21.8% equity interest in CIMC through the acquisition of a subsidiary. Upon completion of the transaction, Long Honour's interest in CIMC increased from 0.95% to 22.75% and the investment in CIMC was reclassified from available-for-sale financial asset to investment in an associate. As a result, Long Honour recorded a gain on deemed disposal of available-for-sale financial asset of US$36.6 million for year ended 31 December 2013.

Share of Profits of an Associate

Share of profits of an associate for the year ended 31 December 2014 was US$83.2 million, representing an increase of US$23.9 million from US$59.3 million for the year ended 31 December 2013. Such increase primarily attributable to the full year impact of share of profits of an associate in 2014.

Profit for the Year

Profit for the year ended 31 December 2014 was US$75.1 million, representing a decrease of US$14.6 million from US$89.7 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Dividend Income

Dividend income for the year ended 31 December 2012 and 2013 was US$1.8 million and nil, respectively.

Other Gains, Net

Other gains, net for the year ended 31 December 2013 was US$36.5 million, representing an increase of US$36.4 million from US$0.1 million for the year ended 31 December 2013. Other gains, net for the year ended 31 December 2013 primarily comprised a gain on deemed disposal of available-for-sale financial assets. Long Honour held a 0.95% equity interest in CIMC as at 31 December 2012. During the year ended 31 December 2013, Long Honour further acquired a 21.8% equity interest in CIMC through the acquisition of a subsidiary. Upon completion of the transaction, Long Honour's interest in CIMC increased from 0.95% to 22.75% and the investment in CIMC was reclassified from available-for-sale financial asset to investment in an associate. As a result, Long Honour recorded a gain on deemed disposal of available-for-sale financial asset in the amount of US$36.6 million for year ended 31 December 2013.

Share of Profits of an Associate

Share of profits of an associate for the year ended 31 December 2012 and 2013 was nil and US$59.3 million, respectively. Share of profits of an associate for the year ended 31 December 2013 primarily comprised Long Honour's share of profits of CIMC, which became an associate of Long Honour during the year ended 31 December 2013.

Profit for the Year

Profit for the year ended 31 December 2013 was US$89.7 million, representing an increase of US$88.0 million from US$1.7 million for the year ended 31 December 2012.

CBHB

CBHB is primarily engaged in the banking business, including corporate banking, personal banking and financial markets businesses. CBHB does not expect any upcoming changes in its industry or in the market conditions or new products and services to be introduced that would have an impact on its performance, turnover or margins.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

Interest Income

Interest income for the year ended 31 December 2014 was RMB36,527.5 million, representing an increase of RMB9,393.7 million from RMB27,133.8 million for the year ended 31 December 2013. Such increase was primarily due to an increase in interest income from investment receivables.

Interest Expense

Interest expense for the year ended 31 December 2014 was RMB23,095.1 million, representing an increase of RMB6,476.0 million from RMB16,619.1 million for the year ended 31 December 2013. Such increase was primarily attributable to an increase in interest expenses due to banks and other financial institutions and an increase in interest expenses on customer deposits.

Net profit

Net profit for the year ended 31 December 2014 was RMB5,031.3 million, representing an increase of RMB468.9 million from RMB4,562.4 million for the year ended 31 December 2013.

The Year Ended 31 December 2013 Compared to the Year Ended 31 December 2012

Interest Income

Interest income for the year ended 31 December 2013 was RMB27,133.8 million, representing an increase of RMB6,598.5 million from RMB20,535.3 million for the year ended 31 December 2012. Such increase was primarily due to an increase in interest income from assets purchased under resale agreements.

Interest Expense

Interest expense for the year ended 31 December 2013 was RMB16,619.1 million, representing an increase of RMB3,630.0 million from RMB12,989.1 million for the year ended 31 December 2012. Such increase primarily reflected an increase in interest expenses from amounts due to banks and other financial institutions and an increase in interest expenses on customer deposits,partially offset by a decrease in interest expenses on assets sold under repurchase agreements.

Net profit

Net profit for the year ended 31 December 2013 was RMB4,562.4 million, representing an increase of RMB1,223.2 million from RMB3,339.2 million for the year ended 31 December 2012.

FOREIGN EXCHANGE RISK

Dong Fang International

Certain transactions of Dong Fang International are denominated in foreign currencies, which expose Dong Fang International to foreign currency risk. Dong Fang International currently does not have a foreign currency hedging policy. However, management of Dong Fang International monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain monetary assets of Dong Fang International are denominated in foreign currencies at the end of each of the relevant periods. The exposure to exchange rate risk mainly arises from fluctuations in the exchange rate of the Hong Kong dollar. Dong Fang International's currency risk exposure in relation to monetary assets is expected to be minimal as the Hong Kong dollar is pegged to the U.S. dollar.

Florens

Florens operates internationally, and most of its revenues and expenses related transactions and borrowings are denominated in U.S. dollars. Florens is not subject to any significant foreign currency risk.

The actual foreign exchange risk faced by Florens primarily arises from non-functional currency bank balances and receivable and payable balances (collectively "**Non-Functional Currency Items**"). Florens' management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the U.S. dollar, Florens' profit after income tax for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 would have decreased/increased by approximately US$352,000, US$131,000, US$87,000, US$105,000 and US$49,000, respectively, as a result of the translation of such Non-Functional Currency Items.

Helen Insurance

Helen Insurance does not have any foreign currency hedging policies in place. However, management of Helen Insurance has closely monitored foreign exchange exposure and undertakes procedures necessary to mitigate currency risk should such need arise.

CS Nauticgreen

Certain transactions of CS Nauticgreen are denominated in foreign currencies, which expose CS Nauticgreen to foreign currency risk. CS Nauticgreen currently does not have a foreign currency hedging policy. However, its management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain monetary assets of CS Nauticgreen are denominated in foreign currencies at the end of the relevant periods. The exposure to exchange rate risks mainly arises from fluctuations in the exchange rates of the Hong Kong dollar and the Renminbi. CS Nauticgreen's currency risk exposure in relation to its monetary assets is expected to be minimal as the Hong Kong dollar is pegged to the U.S. dollar.

CS Leasing

CS Leasing does not have any foreign currency hedging policies in place. However, management of CS Leasing has closely monitored foreign exchange exposure and undertakes procedures necessary to mitigate currency risk should such need arise.

CS Investment

CS Investment uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The carrying amounts of forward currency contracts are the same as their fair values. Any gains or losses arising from changes in fair value of derivatives are reported directly on the statement of profit or loss.

CS Finance

CS Finance does not have any foreign currency hedging policies in place. However, management of CS Finance has closely monitored foreign exchange exposure and undertakes procedures necessary to mitigate currency risk should such need arise.

COSCO Finance

Under the existing managed floating exchange rate regime, COSCO Finance uses sensitivity analyses to measure the potential effect of changes in foreign currency exchange rates on its net foreign exchange gains and losses. If there had been a 100 basis points increase/decrease in foreign currency exchange rate, COSCO Finance's annualized net profit for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 would have increased/decreased by approximately US$1.0 million, US$1.0 million, US$1.0 million and US$1.1 million, respectively. This sensitivity analysis is based on a static foreign currency exposure profile of assets and liabilities. In view of the nature of the Renminbi exchange rate regime, the analysis is based on the following assumptions:

i. the foreign exchange rate sensitivity is the gain and loss recognised as a result of a standard 100 basis point fluctuation in the foreign currency exchange against the Renminbi;

ii. the exchange rates against the Renminbi for all foreign currencies fluctuate in the same direction simultaneously; and

iii. the foreign exchange exposures calculated include spot foreign exchange exposures, forward foreign exchange exposures and options.

Based on the assumptions above, actual changes in COSCO Finance's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of the sensitivity analyses.

Long Honour

Long Honour's foreign exchange risk arises from its net investment in PRC operation and the fact that the functional currency of an associate of Long Honour is Renminbi. Long Honour's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31 December 2012, 2013, 2014 and 30 September 2015, Long Honour had no forward foreign exchange contract.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, with all other variables held constant, if US dollar had weakened/strengthened by 5% against Renminbi, the corresponding share of profit of an associate for the year ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2015 would have been nil, US$2.7 million, US$3.7 million and US$2.5 million higher/lower, respectively.

CHARGE ON ASSETS

Dong Fang International

As of 30 September 2015, certain of Dong Fang International's containers with a net carrying amount of US$704.3 million were pledged to secure general banking facilities and note facilities granted to Dong Fang International.

Florens

As at 30 September 2015, no property, plant and equipment of Florens had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

Helen Insurance

As at 30 September 2015, no property, plant and equipment of Helen Insurance had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Nauticgreen

As at 30 September 2015, no property, plant and equipment of CS Nauticgreen had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Leasing

As at 30 September 2015, no property, plant and equipment of CS Leasing had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Investment

As at 30 September 2015, no property, plant and equipment of CS Investment had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CS Finance

As at 30 September 2015, no property, plant and equipment of CS Finance had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

COSCO Finance

As at 30 September 2015, COSCO Finance had pledged assets as security totalling RMB3.2 million. Such assets primarily comprised balances deposited with other banks that are pledged as security.

Long Honour

As at 30 September 2015, no asset of Long Honour had been provided as collateral for borrowings, nor had it provided any guarantees for other entities.

CONTINGENT LIABILITIES

As at 30 September 2015, none of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance and Long Honour had any significant contingent liabilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the nine months ended 30 September 2015, none of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance and Long Honour had any significant investments, material acquisitions or disposals.

EMPLOYEES AND REMUNERATION POLICY

CS Nauticgreen and Long Honour had no employees as at 30 September 2015 and incurred no staff costs for the nine months ended 30 September 2015 and the year ended 31 December 2014. Dong Fang International, Florens, Helen Insurance, CS Leasing, CS Investment, CS Finance and COSCO Finance collectively had 696 employees as at 30 September 2015. In addition, as at 30 September 2015, CS Investment engaged 2,701 dispatched workers through third-party labor agencies. The number of employees in each of such entities is set out below:

Target Group Company	Number of employees (as at 30 September 2015)	Total staff costs (for the nine months ended 30 September 2015)	Total staff costs (for the year ended 31 December 2014)
Dong Fang International	82	US$5.3 million	US$6.5 million
Florens	106	US$9.9 million	US$14.3 million
Helen Insurance	10	HK$7.6 million	HK$10.1 million
CS Leasing	64	RMB22.8 million	RMB0.9 million
CS Investment	258	RMB223.8 million	RMB294.7 million
CS Finance	57	RMB16.6 million	RMB24.5 million
COSCO Finance	119	RMB28.1 million	RMB47.3 million

The salaries and remuneration policies for the entities above are determined by reference to, among other things, employee performance, working experience and prevailing market rates.

No share option scheme has been adopted for employees of Dong Fang International, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance or Long Honour.

Under the share option scheme adopted by COSCO Pacific on 23 May 2003 (the "2003 Share Option Scheme"), share options of COSCO Pacific were granted to certain directors and continuous contract employees of Florens during the periods from 28 October 2003 to 31

October 2003, from 26 November 2004 to 16 December 2004 and from 17 April 2007 to 19 April 2007. The 2003 Share Option Scheme was designed to attract, retain and motivate talented Participants (as defined in the 2003 Share Option Scheme) to strive for future development and expansion of COSCO Pacific and its subsidiaries and to provide COSCO Pacific with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the board of COSCO Pacific might approve from time to time. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee subject to the terms and conditions as stipulated in the 2003 Share Option Scheme. The consideration paid to COSCO Pacific on acceptance of an offer of the grant of an option under the share option scheme is HK$1.00. All outstanding options granted to directors and continuous contract employees of Florens were vested and exercisable as at 30 September 2015. The 2003 Share Option Scheme was valid and effective for a period of ten years commencing from the date of adoption and was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in respects of the outstanding options granted under the 2003 Share Option Scheme, the provisions of the 2003 Share Option Scheme shall remain in full force and effect. For more details regarding the 2003 Share Option Scheme, please see note 35 to the accountant's report of Florens as set forth in "Appendix I-B – Accountants' Report of Florens."

In order to ensure that the employees for the entities listed above remain competitive in the relevant industries, the entities above have adopted training programs for their employees.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

None of Dong Fang International, Florens, Helen Insurance, CS Nauticgreen, CS Leasing, CS Investment, CS Finance, COSCO Finance and Long Honour have any future plans for material investments or capital assets in the coming year.

DISCLAIMER OF AUDIT OPINION AND DISCLAIMER OF REVIEW CONCLUSION OF LONG HONOUR

A disclaimer of audit opinion in respect of the consolidated financial information of Long Honour for each of the years ended 31 December 2013, 2014 and the nine months ended 30 September 2015 and a disclaimer of review conclusion in respect of the consolidated financial information of Long Honour for the nine months ended 30 September 2014 were issued by PricewaterhouseCoopers as set out in Appendix I-I to the Circular. Despite a qualified opinion and a qualified conclusion were issued, the Directors consider the financial information of Long Honour is reliable based on the following reasons:

- A qualified opinion and a qualified conclusion were issued because the reporting accountants were unable to obtain sufficient appropriate evidence on the carrying amounts of the investment in CIMC as a result of the inability to access to CIMC management and its auditor, together with its books and records to perform the necessary procedures to obtain sufficient appropriate evidence. Nevertheless, the investment in CIMC has been accounted for as an associate using equity method in the consolidated financial information of Long Honour for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

- The share of net assets of CIMC as at 31 December 2013 and 2014 and the share of profits of CIMC for each of the years ended 31 December 2013 and 2014 were computed based on the publicly announced audited results of CIMC for each of the years ended 31 December 2013 and 2014.

- The share of net assets of CIMC as at 30 September 2015 and the share of profits of CIMC for the nine months ended 30 September 2014 and 2015 were computed based on the publicly announced unaudited results for the nine months ended 30 September 2014 and 2015. Though the financial information of CIMC for the nine months ended 30 September 2014 and 2015 is unaudited, the Directors consider such financial information is reliable after taking into consideration of the facts that CIMC is a dually listed company on the Stock Exchange and SZSE with well established management, internal control measures over financial reporting and corporate governance; in addition, such financial information had been reviewed by the directors of CIMC (including the audit committee of CIMC) and no qualified opinion was issued by the auditor of CIMC in the past 3 years.

The following is the text of an accountants' report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of Dong Fang International Investment Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Comparative Financial Information"), for inclusion in the circular of China Shipping Container Lines Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of Target Company (the "Acquisition") by the Company.

The Target Company was incorporated in the British Virgin Islands on 13 May 1997 as a company with limited liability. During the Relevant Periods, the principal activities of the Target Company were container leasing and investment holding. Details of the principal activities of the subsidiaries are set out in note 1 of Section II below.

As at the date of this report, the Target Company has direct interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Section II Notes	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
REVENUE	*5*	89,777	85,582	106,845	78,522	91,907
Cost of sales		(36,933)	(29,915)	(39,712)	(27,979)	(31,579)
Gross profit		52,844	55,667	67,133	50,543	60,328
Other income and gains, net	*6*	20,608	23,424	8,509	6,715	9,573
Administrative expenses		(7,854)	(9,885)	(12,928)	(8,298)	(9,345)
Share of profits/(losses) of associates		5,839	(1,810)	(848)	1,673	1,138
Other expenses		(2,277)	(338)	(220)	(164)	(39)
Finance costs	*8*	(8,417)	(8,494)	(17,505)	(13,067)	(17,298)
PROFIT BEFORE TAX	*7*	60,743	58,564	44,141	37,402	44,357
Income tax expense	*11*	(1,432)	(1,246)	(1,283)	(1,357)	(930)
PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		59,311	57,318	42,858	36,045	43,427
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		118	1,507	(126)	(311)	(1,274)
Share of reserves of associates		–	–	46	–	11
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		118	1,507	(80)	(311)	(1,263)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		59,429	58,825	42,778	35,734	42,164

Consolidated statements of financial position

	Section II Notes	As at 31 December 2012 *US$'000*	As at 31 December 2013 *US$'000*	As at 31 December 2014 *US$'000*	As at 30 September 2015 *US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	473,325	580,552	713,972	885,607
Interests in associates	*14*	49,135	34,126	34,726	33,113
Finance lease receivables	*15*	85,820	163,577	280,591	299,009
Total non-current assets		608,280	778,255	1,029,289	1,217,729
CURRENT ASSETS					
Inventories	*16*	–	28,709	60,368	31,656
Finance lease receivables	*15*	11,076	25,300	38,173	60,857
Trade and other receivables	*17*	16,792	19,338	24,503	36,166
Tax recoverable		484	–	8	–
Amount due from an intermediate holding company	*18*	1	–	–	–
Amounts due from associates	*19*	5,902	17,892	1,662	2,470
Restricted bank balances	*21*	4,347	8,970	27,783	29,723
Cash and cash equivalents	*21*	71,822	136,430	25,484	24,734
Total current assets		110,424	236,639	177,981	185,606
CURRENT LIABILITIES					
Trade and other payables	*22*	12,192	186,990	72,526	164,947
Tax payable		3,709	5,831	4,612	5,315
Bank and other borrowings	*23*	179,320	53,960	116,094	116,544
Notes payable	*24*	–	17,237	37,081	37,684
Total current liabilities		195,221	264,018	230,313	324,490
NET CURRENT LIABILITIES		(84,797)	(27,379)	(52,332)	(138,884)
TOTAL ASSETS LESS CURRENT LIABILITIES		523,483	750,876	976,957	1,078,845
NON-CURRENT LIABILITIES					
Bank and other borrowings	*23*	211,860	207,900	272,713	360,880
Notes payable	*24*	–	174,018	292,447	264,019
Deferred tax liabilities	*26*	2,269	779	840	825
Total non-current liabilities		214,129	382,697	566,000	625,724
Net assets		309,354	368,179	410,957	453,121
EQUITY					
Equity attributable to owners of the parent					
Share capital	*25*	100,000	100,000	100,000	100,000
Reserves	*27(a)*	209,354	268,179	310,957	353,121
Total equity		309,354	368,179	410,957	453,121

Consolidated statements of changes in equity

	Attributable to owners of the parent					
	Share capital	Capital reserve	Exchange reserve	Other reserve	Retained profits	Total equity
	US$'000	*US$'000**	*US$'000**	*US$'000**	*US$'000**	*US$'000*
At 1 January 2012	100,000	80,000	6,239	–	63,686	249,925
Profit for the year	–	–	–	–	59,311	59,311
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	118	–	–	118
Total comprehensive income for the year	–	–	118	–	59,311	59,429
At 31 December 2012	100,000	80,000*	6,357*	–	122,997*	309,354
Profit for the year	–	–	–	–	57,318	57,318
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	1,507	–	–	1,507
Total comprehensive income for the year	–	–	1,507	–	57,318	58,825
At 31 December 2013	100,000	80,000*	7,864*	–	180,315*	368,179
Profit for the year	–	–	–	–	42,858	42,858
Other comprehensive income/(expense) for the year:						
Exchange differences on translation of foreign operations	–	–	(126)	–	–	(126)
Share of reserve of an associate	–	–	–	46	–	46
Total comprehensive Income/(expense) for the year	–	–	(126)	46	42,858	42,778
At 31 December 2014	100,000	80,000*	7,738*	46*	223,173*	410,957
At 1 January 2015	100,000	80,000	7,738	46	223,173	410,957
Profit for the period	–	–	–	–	43,427	43,427
Other comprehensive income/(expense) for the period:						
Exchange differences on translation of foreign operations	–	–	(1,274)	–	–	(1,274)
Share of reserves of associates	–	–	–	11	–	11
Total comprehensive income/(expense) for the period	–	–	(1,274)	11	43,427	42,164
At 30 September 2015	100,000	80,000*	6,464*	57*	266,600*	453,121

	Attributable to owners of the parent					
	Share capital *US$'000*	**Capital reserve** *US$'000**	**Exchange reserve** *US$'000**	**Other reserve** *US$'000**	**Retained profits** *US$'000**	**Total equity** *US$'000*
Nine months ended 30 September 2014 (unaudited)						
At 1 January 2014	100,000	80,000	7,864	–	180,315	368,179
Profit for the period	–	–	–	–	36,045	36,045
Other comprehensive expense for the period:						
Exchange differences on translation of foreign operations	–	–	(311)	–	–	(311)
Total comprehensive income/(expense) for the period	–	–	(311)	–	36,045	35,734
At 30 September 2014 (unaudited)	100,000	80,000	7,553	–	216,360	403,913

* These reserve accounts comprise the consolidated reserves of US$209,354,000, US$268,179,000, US$310,957,000 and US$353,121,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Consolidated statements of cash flows

	Section II Notes	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
		US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		60,743	58,564	44,141	37,402	44,357
Adjustments for:						
Depreciation of property, plant and equipment	*13*	34,017	28,602	37,488	27,574	26,826
Gain on disposal of items of property, plant and equipment	*6*	(20,267)	(23,132)	(8,706)	(6,970)	(8,823)
Share of losses/(profits) of associates		(5,839)	1,810	848	(1,673)	(1,138)
Interest income		(154)	(24)	(28)	(21)	(15)
Finance costs	*8*	8,417	8,494	17,505	13,067	17,298
		76,917	74,314	91,248	69,379	78,505
Increase in finance lease receivables		(21,242)	(91,981)	(129,887)	(137,391)	(41,102)
Decrease/(increase) in inventories		–	(29,154)	(32,652)	(3,306)	28,009
Decrease/(increase) in trade and other receivables		2,461	(2,546)	(5,165)	(24,996)	(11,663)
Increase in amounts due from associates		–	–	–	(12)	(4)
Increase/(decrease) in trade and other payables		(2,490)	44,798	13,797	8,940	(35,775)
Cash generated from/(used in) operations		55,646	(4,569)	(62,659)	(87,386)	17,970
Income tax paid		(945)	(131)	(2,447)	(1,719)	(206)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		54,701	(4,700)	(65,106)	(89,105)	17,764

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(14,932)	(165,454)	(215,632)	(99,685)	(209,866)
Proceeds from disposal of items of property, plant and equipment	38,844	50,049	51,231	42,681	18,864
Dividend received from associates	–	5,902	17,892	17,892	2,645
Interest received	154	24	28	21	15
Repayment from/(advance to) an intermediate holding company	(1)	1	–	–	–
Decrease/(increase) in restricted bank balances	1,830	(4,623)	(18,813)	(5,745)	(1,940)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	25,895	(114,101)	(165,294)	(44,836)	(190,282)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of notes payable	–	195,402	10,257	–	–
Advance from the immediate holding company	–	252,500	–	–	173,000
Repayment to the immediate holding company	–	(122,500)	(130,000)	(85,400)	(46,000)
New bank borrowings raised	124,000	50,000	401,459	176,460	150,000
Repayment of bank borrowings	(159,540)	(179,320)	(127,602)	(46,628)	(61,383)
Interest paid	(8,021)	(8,341)	(14,876)	(11,100)	(15,265)
Repayment of notes payable	–	(4,300)	(19,784)	(13,344)	(28,662)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(43,561)	183,441	119,454	19,988	171,690
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,035	64,640	(110,946)	(113,953)	(828)
Cash and cash equivalents at beginning of year/period	34,791	71,822	136,430	136,430	25,484
Effect of foreign exchange rate changes	(4)	(32)	–	6	78
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	71,822	136,430	25,484	22,483	24,734
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	71,822	136,430	25,484	22,483	24,734
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	71,822	136,430	25,484	22,483	24,734

Statements of financial position

	Section II Notes	**As at 31 December 2012**	**2013**	**2014**	**As at 30 September 2015**
		US$'000	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	478,518	345,366	367,204	552,689
Investments in subsidiaries	*12*	405	69,195	105,539	105,539
Finance lease receivables	*15*	85,820	149,196	213,201	239,052
Total non-current assets		564,743	563,757	685,944	897,280
CURRENT ASSETS					
Finance lease receivables	*15*	11,076	22,466	27,445	50,962
Prepayment and other receivables	*17*	1,192	1,548	2,721	3,187
Amount due from an intermediate holding company	*18*	1	–	–	–
Amounts due from subsidiaries	*20*	33,040	23,289	42,233	47,744
Restricted bank balances	*21*	4,347	2,492	7,442	12,657
Bank balances	*21*	64,546	122,002	7,360	13,146
Total current assets		114,202	171,797	87,201	127,696
CURRENT LIABILITIES					
Other payables	*22*	8,080	138,124	10,647	141,167
Amounts due to subsidiaries	*20*	–	115	3,384	5,724
Tax payables		3,105	3,766	4,319	4,712
Bank and other borrowings	*23*	179,320	53,960	116,094	116,544
Total current liabilities		190,505	195,965	134,444	268,147
NET CURRENT LIABILITIES		(76,303)	(24,168)	(47,243)	(140,451)
TOTAL ASSETS LESS CURRENT LIABILITIES		488,440	539,589	638,701	756,829
NON-CURRENT LIABILITIES					
Bank and other borrowings	*23*	211,860	207,900	272,713	360,880
NET ASSETS		276,580	331,689	365,988	395,949
EQUITY					
Share capital	*25*	100,000	100,000	100,000	100,000
Reserves	*27(b)*	176,580	231,689	265,988	295,949
TOTAL EQUITY		276,580	331,689	365,988	395,949

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited company incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Target Company is Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Its principal place of business is located at 32/F., Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

In the opinion of the directors, the Target Company's immediate holding company is China Shipping (Hong Kong) Holdings Co., Limited ("CSHK"), a company incorporated in Hong Kong and its ultimate holding company is China Shipping (Group) Company ("China Shipping (Group)"), a state owned enterprise established in the People's Republic of China (the "PRC").

During the Relevant Periods, the principal activities of the Target Company and its subsidiaries were investment holding and container related business.

At the end of each of the Relevant Periods and the date of this report, the Target Company had direct interest in its subsidiaries, all of which are private limited liability companies or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Name	Place and date of incorporation and place of operation	Issued ordinary share capital	Percentage of equity interest attributable to the Target Company as at 31 December 2012	31 December 2013	31 December 2014	30 September 2015	Date of this report	Principal activities
Dong Fang International Asset Management Limited *(note (i))*	Hong Kong 5 November 1997	HK$3	100	100	100	100	100	Provision of container management services, sale of containers to container investors and related business
Dong Fang International Container Limited *(note (ii))*	BVI 22 December 2004	US$50,000	100	100	100	100	100	Investment holding
Oriental International Equipment Trading Limited *(note (ii))*	BVI 25 January 2010/ Hong Kong	US$10,000	100	100	100	100	100	Sale of used containers and related business
Dong Fang International Container Investment Limited *(note (i))*	Hong Kong 18 June 2012	HK$10,000	100	100	100	100	100	Container investment
Dong Fang International Asset Management (Singapore) Private Limited *(note (iii))*	Singapore 6 December 2012	*note (vii)*	100	100	100	100	100	Provision of container management service
Dong Fang Container Finance (SPV) Limited *(note (iv))*	BVI 15 July 2013/ Hong Kong	US$68,195,733	N/A	100	100	100	100	Financing and container leasing

Name	Place and date of incorporation and place of operation	Issued ordinary share capital	Percentage of equity interest attributable to the Target Company as at 31 December 2012	2013	2014	30 September 2015	Date of this report	Principal activities
Dong Fang International Asset Management (Germany) GmbH *(note (v))*	Germany 24 September 2013	US$33,096	N/A	100	100	100	100	Provision of container management services
Dong Fang Container Finance II (SPV) Limited *(note (vi))*	BVI 22 October 2014/ Hong Kong	US$36,344,633	N/A	N/A	100	100	100	Financing and container leasing

Notes:

(i) The statutory financial statements of these subsidiaries for the years ended 31 December 2012, 2013 and 2014 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Hong Kong.

(ii) The financial statements of these subsidiaries for the years ended 31 December 2012, 2013 and 2014 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Hong Kong.

(iii) The statutory financial statements of the subsidiary for the period from 6 December 2012 (date of incorporation) to 31 December 2013 and the year ended 31 December 2014 prepared under Singapore Financial Reporting Standards were audited by K.A. Seah & Co. Public Accountants and Chartered Accountants, Singapore.

(iv) The financial statements of the subsidiary for the period from 15 July 2013 (date of incorporation) to 31 December 2013 and the year ended 31 December 2014 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Hong Kong.

(v) The statutory financial statements of the subsidiary for the period from 24 September 2013 (date of incorporation) to 31 December 2013 and the year ended 31 December 2014 prepared under International Financial Reporting Standards were audited by Fritz und Mark AG, Germany.

(vi) The financial statements of the subsidiary for the period from 22 October 2014 (date of incorporation) to 31 December 2014 prepared under International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu, Hong Kong.

(vii) The issued ordinary share capital of Dong Fang International Asset Management (Singapore) Private Limited was SG$1 of SG$1 each as at 31 December 2012. The issued ordinary share capital of Dong Fang International Asset Management (Singapore) Private Limited was SG$10,000 of SG$1 each as at 31 December 2013, 31 December 2014 and 30 September 2015.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial information of the Target Company and its subsidiaries for the Relevant Periods. The financial information of the subsidiaries is prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 NET CURRENT LIABILITIES

The Target Group had net current liabilities of US$84,797,000, US$27,379,000 and US$52,332,000 and US$138,884,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively. The Directors are of the opinion that, based on a detailed review of the working capital forecast of the Target Group, the available unutilised banking facilities of US$49 million from commercial banks and CSHK, the immediate holding company, agreed not to demand repayment of accounts due from the Target Group as at 30 September 2015 for a period of at least twelve months from the date of the Circular, the Target Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the Directors are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Target Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

3.1 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies and changes in presentation and measurement of certain items in the Target Group's Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Target Group's interests in associates are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Target Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Containers	10 years – 20 years
Vehicles	10 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years

With effect from 1 January 2013, the estimated residual value of the Target Group's 20' general purpose container, 40' general purpose container, 40' high cube container and 45' high cube container was changed from US$950 – US$1,250 per twenty-foot equivalent unit ("TEU") to US$1,030 – US$1,750 per TEU. This constitutes a change in accounting estimates. In the opinion of the Directors, based on the then current business condition, the estimated residual value of these containers is more appropriately reflected by the change. The change has been applied prospectively and has resulted in a decrease in depreciation of approximately US$2,520,000 for the year ended 31 December 2013.

With effect from 1 January 2015, the estimated residual value of 20' flatrack container, 20' refrigerated container, 40' flatrack container, 40' open top container and 40' reefer container changed from US$500 – US$3,000 per TEU to US$1,200 – US$3,500 per TEU, the useful lives of certain of these containers were changed from 10 years to a range of 12 – 14 years. This constitutes a change in accounting estimates. In the opinion of the Directors, based on the current business condition, the estimated residual value and useful lives of these containers are more appropriately reflected by the change. The change has been applied prospectively and has resulted in a decrease in depreciation of approximately US$13,500,000 for the nine months ended 30 September 2015.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessees are accounted for as finance leases, including leases which transfer ownership of the asset to the lessee at the end of the lease term.

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. Revenue on assets leased out under finance leases is recognised in accordance with the Target Group's revenue recognition policies as set out below.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains, net in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to fellow subsidiaries, bank and other borrowings and notes payable.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the specific identification method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) from the leasing of containers and chassis under operating leases, revenue is recognised on a straight-line basis over the period of each lease while revenue on containers leased out under finance leases is allocated to an accounting period to give a constant periodic rate of return on the net investments in the lease in each period; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension schemes

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Target Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. The Target Group makes monthly contributions and the contributions are charged to profit or loss on an accrual basis. The Target Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

This Financial Information is presented in United States dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the United States dollar. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. In respect of finance leases, judgement is required in determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of certain leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in note 3.2.

Current tax and deferred tax

The Target Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Target Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made.

The carrying amounts of current tax payables and deferred tax liabilities are set out in the consolidated statements of financial position and note 26 to the Financial Information, respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below.

Useful lives and residual values of containers

Management has determined the estimated useful lives of containers with carrying amounts of US$469,050,000, US$576,565,000, US$709,323,000 and US$883,277,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015 by reference to the Target Group's business model, its asset management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expenses will change when useful lives are different from the previous estimates.

Management has determined the residual values of containers based on all relevant factors (including the use of the current market value of used containers as a reference value) at the end of each of the Relevant Periods. The depreciation expenses will change where the residual values are different from the previous estimates. During the year ended 31 December 2013 and the nine months ended 30 September 2015, management re-assessed and changed the residual values and useful lives of certain containers. Further details are set out in the paragraph headed "Property, plant and equipment and depreciation" in note 3.2 above.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will have an impact on the carrying value of the receivables and doubtful debt expenses/write back of doubtful debt in the period in which such estimate is changed.

5. REVENUE

Revenue represents revenue arising on container and chassis leasing, the provision of container management services and sales of containers.

An analysis of revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(Unaudited)	
Revenue					
Container leasing	85,839	82,378	102,919	75,768	89,158
Chassis leasing	2,073	1,796	1,505	1,127	1,069
Provision of container management services	716	990	1,424	1,061	1,618
Sales of containers	1,149	418	997	566	62
	89,777	85,582	106,845	78,522	91,907

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(Unaudited)	
Interest income on:					
– bank balances	154	22	24	20	14
– amount due from immediate holding company	–	2	4	1	1
Exchange gain/(loss)	(42)	109	(381)	(384)	(64)
Gain on disposals of items of property, plant and equipment	20,267	23,132	8,706	6,970	8,823
Others	229	159	156	108	799
Total	20,608	23,424	8,509	6,715	9,573

7. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Depreciation*	34,017	28,602	37,488	27,574	26,826
Auditors' remuneration	72	105	89	–	–
Employee benefit expense (excluding directors' remuneration):					
Wages and salaries	3,247	3,940	5,164	3,743	4,053
Pension scheme contributions (defined contribution scheme)	162	175	297	180	249
Other welfare	747	739	1,038	803	866
Minimum lease payments under operating leases	586	842	1,224	913	945
Foreign exchange differences, net	(42)	109	(381)	(384)	(64)
Gain on disposal of items of property, plant and equipment	20,267	23,132	8,706	6,970	8,823
Bank interest income	154	22	24	20	14
Cost of inventories sold	1,122	408	969	535	60
Cost of services provided	35,811	29,507	38,743	27,444	31,519

* Amounts of US$33,435,000, US$27,971,000, US$36,699,000, US$26,069,000 and US$26,229,000 are included in "Cost of sales" on the face of the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, respectively.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Interest on:					
– bank borrowings wholly repayable within 5 years	8,417	6,240	7,528	5,501	6,764
– notes payable wholly repayable within 5 years	–	–	52	–	594
– notes payable not wholly repayable within 5 years	–	2,101	7,760	5,695	8,121
– amount due to immediate holding company	–	–	1,275	1,261	983
Amortisation of notes payable	–	153	890	610	836
	8,417	8,494	17,505	13,067	17,298

9. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Fees	218	168	332	216	181
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Pension scheme contributions	5	4	7	4	7
	5	4	7	4	7
	223	172	339	220	188

(a) Directors

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme Contributions**	**Total remuneration**
	US$'000	*US$'000*	*US$'000*	*US$'000*
<u>For the year ended 31 December 2012</u>				
Yang Jigui	–	–	–	–
Su Yigang	218	–	5	223
Wang Song	–	–	–	–
Han Jun	–	–	–	–
Li Xueqiang	–	–	–	–
	218	–	5	223
<u>For the year ended 31 December 2013</u>				
Yang Jigui	–	–	–	–
Su Yigang	168	–	4	172
Wang Song *(note (i))*	–	–	–	–
Han Jun *(note (ii))*	–	–	–	–
Li Xueqiang	–	–	–	–
Zheng Bin *(note (iii))*	–	–	–	–
Wu Changzheng *(note (iv))*	–	–	–	–
	168	–	4	172

	Fees	Salaries, allowances and benefits in kind	Pension scheme Contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2014				
Yang Jigui	–	–	–	–
Su Yigang	332	–	7	339
Li Xueqiang *(note (vii))*	–	–	–	–
Zheng Bin *(note (v))*	–	–	–	–
Wu Changzheng	–	–	–	–
Lin Feng *(note (vi))*	–	–	–	–
	332	–	7	339
For the nine months ended 30 September 2014 (unaudited)				
Yang Jigui	–	–	–	–
Su Yigang	216	–	4	220
Li Xueqiang *(note (vii))*	–	–	–	–
Zheng Bin *(note (v))*	–	–	–	–
Wu Changzheng	–	–	–	–
Lin Feng *(note (vi))*	–	–	–	–
	216	–	4	220
For the nine months ended 30 September 2015				
Yang Jigui	–	–	–	–
Su Yigang	181	–	7	188
Wu Changzheng	–	–	–	–
Lin Feng	–	–	–	–
	181	–	7	188

Notes:

(i) Wang Song resigned as director on 1 January 2013.

(ii) Han Jun resigned as director on 1 May 2013.

(iii) Zheng Bin was appointed as director on 1 January 2013.

(iv) Wu Changzheng was appointed as director on 1 May 2013.

(v) Zheng Bin resigned as director on 20 March 2014.

(vi) Lin Feng was appointed as director on 20 March 2014.

(vii) Li Xueqiang resigned as director on 10 December 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods of the remaining four highest paid employees who are not a director of the Target Company are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Salaries, allowances and benefits in kind	734	706	1,064	748	870
Pension scheme contributions	25	24	32	20	38
	759	730	1,096	768	908

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014** *(unaudited)*	**2015**
Nil to HK$1,000,000	–	–	–	–	–
HK$1,000,001 to HK$1,500,000	2	3	–	2	2
HK$1,500,001 to HK$2,000,000	2	1	1	2	1
Above HK$2,000,000	–	–	3	–	1
	4	4	4	4	4

11. INCOME TAX

Hong Kong profits tax has been calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Current income tax:					
Hong Kong	61	335	460	558	177
Withholding tax on distribution of the dividend of PRC associates	590	1,789	166	58	345
Other jurisdictions	763	661	596	421	395
	1,414	2,785	1,222	1,037	917
Under/(overprovision) in prior periods	(7)	(5)	(3)	–	–
Deferred tax *(note 26)*	25	(1,534)	64	320	13
Total tax charge for the year/period	1,432	1,246	1,283	1,357	930

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Profit before tax	60,743	58,564	44,141	37,402	44,357
Tax at the Hong Kong profits tax rate of 16.5%	10,023	9,663	7,283	6,171	7,319
Tax effect of share of losses/(profits) of associates	(963)	299	140	(276)	(187)
Expenses not deductible for tax	83	161	72	49	48
Income not subject to tax	(8,132)	(8,897)	(6,311)	(4,932)	(6,558)
Withholding tax of distributable earnings of PRC associates	583	160	233	357	392
Utilisation of deductible temporary differences previously not recognised	–	–	(3)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(155)	(135)	(128)	(12)	(84)
Adjustments in respect of current tax of previous periods	(7)	(5)	(3)	–	–
Total tax charge for the year/period	1,432	1,246	1,283	1,357	930

The share of tax attributable to associates amounting to US$1,493,000, US$440,000, US$2,508,000, US$1,181,000 and US$1,914,000 during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, respectively, is included in "Share of profits/(losses) of associates" in the consolidated statements of profit or loss and other comprehensive income.

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, dividends distributed out of the profits generated since 1 January 2008 held by PRC entities shall be subject to PRC enterprise income tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises with Foreign Investment and Foreign Enterprises. During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, deferred tax liabilities of US$583,000, US$160,000, US$233,000, US$357,000 and US$392,000 on the distributable earnings of PRC associates have been charged to profit or loss in the consolidated statements of profit and loss and other comprehensive income, respectively.

There is no income tax consequence attaching to the payment of dividends by the Target Company to its shareholders.

12. INVESTMENTS IN SUBSIDIARIES

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted equity investments, at cost	405	69,195	105,539	105,539

Particulars of the subsidiaries of the Target Company as at the end of each of the Relevant Periods are set out in note 1 to the Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Containers US$'000	Vehicles US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Total US$'000
Net carrying amount:					
At 1 January 2012, net of accumulated depreciation	505,398	4,046	11	1,532	510,987
Additions	14,372	–	22	538	14,932
Depreciation provided during the year	(32,147)	(1,288)	(13)	(569)	(34,017)
Disposals	(18,573)	–	–	(4)	(18,577)
At 31 December 2012 and 1 January 2013	469,050	2,758	20	1,497	473,325
Additions	160,933	207	9	1,597	162,746
Depreciation provided during the year	(27,307)	(681)	(6)	(608)	(28,602)
Disposals	(26,111)	(134)	(8)	(664)	(26,917)
At 31 December 2013 and 1 January 2014	576,565	2,150	15	1,822	580,552
Additions	211,975	106	1,015	337	213,433
Depreciation provided during the year	(36,698)	(33)	(184)	(573)	(37,488)
Disposals	(42,519)	(6)	–	–	(42,525)
At 31 December 2014 and 1 January 2015	709,323	2,217	846	1,586	713,972
Additions	208,325	–	–	177	208,502
Depreciation provided during the period	(26,272)	(32)	(155)	(367)	(26,826)
Disposals	(8,099)	(1,941)	–	(1)	(10,041)
At 30 September 2015	883,277	244	691	1,395	885,607
At 1 January 2012:					
Cost	667,546	14,976	134	2,656	685,312
Accumulated depreciation	(162,148)	(10,930)	(123)	(1,124)	(174,325)
Net carrying amount	505,398	4,046	11	1,532	510,987
At 31 December 2012:					
Cost	642,819	14,976	156	3,183	661,134
Accumulated depreciation	(173,769)	(12,218)	(136)	(1,686)	(187,809)
Net carrying amount	469,050	2,758	20	1,497	473,325
At 31 December 2013:					
Cost	750,753	14,836	21	3,651	769,261
Accumulated depreciation	(174,188)	(12,686)	(6)	(1,829)	(188,709)
Net carrying amount	576,565	2,150	15	1,822	580,552
At 31 December 2014:					
Cost	896,683	14,900	1,036	3,988	916,607
Accumulated depreciation	(187,360)	(12,683)	(190)	(2,402)	(202,635)
Net carrying amount	709,323	2,217	846	1,586	713,972
At 30 September 2015:					
Cost	1,090,766	1,040	1,036	4,129	1,096,971
Accumulated depreciation	(207,489)	(796)	(345)	(2,734)	(211,364)
Net carrying amount	883,277	244	691	1,395	885,607

Target Company

	Containers *US$'000*	**Vehicles** *US$'000*	**Furniture, fixtures and equipment** *US$'000*	**Total** *US$'000*
Net carrying amount:				
At 1 January 2012, net of accumulated depreciation	511,682	4,046	1,436	517,164
Additions	14,373	–	271	14,644
Depreciation provided during the year	(32,939)	(1,288)	(489)	(34,716)
Disposals	(18,574)	–	–	(18,574)
At 31 December 2012 and 1 January 2013	474,542	2,758	1,218	478,518
Additions	128,374	–	956	129,330
Depreciation provided during the year	(24,820)	(662)	(528)	(26,010)
Disposals	(235,856)	(32)	(584)	(236,472)
At 31 December 2013	342,240	2,064	1,062	345,366
At 31 December 2013 and 1 January 2014	342,240	2,064	1,062	345,366
Additions	205,988	–	–	205,988
Depreciation provided during the year	(23,801)	–	(366)	(24,167)
Disposals	(159,977)	(6)	–	(159,983)
At 31 December 2014 and 1 January 2015	364,450	2,058	696	367,204
Additions	210,483	–	78	210,561
Depreciation provided during the period	(16,426)	–	(175)	(16,601)
Disposals	(6,534)	(1,941)	–	(8,475)
At 30 September 2015	551,973	117	599	552,689
At 1 January 2012:				
Cost	675,547	14,976	2,422	692,945
Accumulated depreciation	(163,865)	(10,930)	(986)	(175,781)
Net carrying amount	511,682	4,046	1,436	517,164
At 31 December 2012:				
Cost	650,819	14,976	2,693	668,488
Accumulated depreciation	(176,277)	(12,218)	(1,475)	(189,970)
Net carrying amount	474,542	2,758	1,218	478,518
At 31 December 2013:				
Cost	464,259	14,735	2,641	481,635
Accumulated depreciation	(122,019)	(12,671)	(1,579)	(136,269)
Net carrying amount	342,240	2,064	1,062	345,366
At 31 December 2014:				
Cost	471,139	14,692	2,641	488,472
Accumulated depreciation	(106,689)	(12,634)	(1,945)	(121,268)
Net carrying amount	364,450	2,058	696	367,204
At 30 September 2015:				
Cost	668,665	832	2,719	672,216
Accumulated depreciation	(116,692)	(715)	(2,120)	(119,527)
Net carrying amount	551,973	117	599	552,689

At 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015, certain of the Target Group's containers with a net carrying amount of approximately US$331,386,000, US$520,008,000, US$602,033,000 and US$704,288,000 were pledged to secure general banking facilities and notes payable granted to the Target Group in note 23 and note 24 respectively.

14. INTERESTS IN ASSOCIATES

Details of the Target Group's interests in associates are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of net assets	49,135	34,126	34,726	33,113

At the end of each of the Relevant Periods, the Target Group had interests in the following associates:

Name of entity	Place and date of registration and place of business	Registered and paid-in capital	Proportion of ownership interest voting power and profit sharing 31 December 2012	2013	2014	30 September 2015	Principal activities
東方國際集裝箱(連雲港)有限公司 Dong Fang International Containers (Lianyungang) Co., Ltd.	Jiangsu PRC 3 February 2005	US$25,340,000	25%	25%	25%	25%	Containers manufacture and sales
東方國際集裝箱(錦州)有限公司 Dong Fang International Containers (Jinzhou) Co., Ltd.	Jinzhou PRC 27 September 2005	US$20,000,000	28%	28%	28%	28%	Containers manufacture and sales
東方國際集裝箱(廣州)有限公司 Dong Fang International Containers (Guangzhou) Co., Ltd.	Guangzhou PRC 17 January 2006	US$20,000,000	28%	28%	28%	28%	Containers manufacture and sales
連雲港五洲專用車製造有限公司 Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd.	Jiangsu PRC 17 May 2005	RMB125,000,000	25%	25%	25%	25%	Special purpose vehicles manufacture and sales

Dong Fang International Containers (Lianyungang) Co., Ltd., Dong Fang International Containers (Jinzhou) Co., Ltd. and Dong Fang International Containers (Guangzhou) Co., Ltd., which are considered material associates of the Target Group, are strategic partners of the Target Group, engaged in the manufacture and sale of containers and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Lianyungang) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current assets	63,723	82,699	63,960	47,540
Non-current assets	34,562	34,610	33,784	31,725
Current liabilities	(35,382)	(74,007)	(54,453)	(35,934)
Net assets	62,903	43,302	43,291	43,331
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	25%	25%	25%	25%
Carrying amount of the investment	15,726	10,826	10,823	10,833
Revenue	114,104	148,744	186,034	130,534
Profit for the year/period	7,403	2,041	2,253	5,876
Other comprehensive income/(expense) for the year/period	145	1,977	24	(1,906)
Total comprehensive income for the year/period	7,548	4,018	2,277	3,970
Dividends declared by Dong Fang International Containers (Lianyungang) Co., Ltd. during the year/period	–	23,619	2,288	3,930

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Jinzhou) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current assets	78,165	69,772	49,511	52,342
Non-current assets	32,479	37,599	37,410	35,256
Current liabilities	(61,875)	(73,777)	(53,278)	(55,068)
Net assets	48,769	33,594	33,643	32,530
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	28%	28%	28%	28%
Carrying amount of the investment	13,655	9,407	9,420	9,108
Revenue	121,406	125,878	203,345	128,668
Profit for the year/period	6,583	1,822	1,972	3,356
Other comprehensive income/(expense) for the year/period	136	1,537	(125)	(1,168)
Total comprehensive income for the year/period	6,719	3,359	1,847	2,188
Dividends declared by Dong Fang International Containers (Jinzhou) Co., Ltd. during the year/period	9,944	18,534	1,798	3,301

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Guangzhou) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current assets	62,495	84,369	71,282	40,173
Non-current assets	41,068	39,612	39,186	37,346
Current liabilities	(47,150)	(88,996)	(73,363)	(44,557)
Net assets	56,413	34,985	37,105	32,962
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	28%	28%	28%	28%
Carrying amount of the investment	15,796	9,796	10,390	9,230
Revenue	135,144	214,243	229,089	149,865
Profit for the year/period	7,617	1,085	4,346	2,826
Other comprehensive income/(expense) for the year/period	155	1,762	(134)	(1,467)
Total comprehensive income for the year/period	7,772	2,847	4,212	1,359
Dividends declared by Dong Fang International Containers (Guangzhou) Co., Ltd. during the year/period	11,137	24,275	2,092	5,502

The following table illustrates the financial information of the Target Group's associate that is not individually material:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of the associate's profit for the year/period	12	16	11	5
Share of the associate's other comprehensive income	9	123	(15)	(156)
Share of the associate's total comprehensive income	21	139	(4)	(151)
Aggregate carrying amount of the Target Group's interest in the associate	3,958	4,097	4,093	3,942

15. FINANCE LEASE RECEIVABLES

Target Group

	As at 31 December								As at 30 September		
	2012			2013			2014		2015		
	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*
Current portion	6.15% to 11.87%	2013	11,076	5.541% to 14.812%	2014	25,300	5.24% to 20%	2015	38,173	4.46% to 23.10%	2016	60,857
Non-current portion	6.15% to 11.87%	2014 to 2024	85,820	5.541% to 14.812%	2015 to 2024	163,577	5.24% to 20%	2016 to 2026	280,591	4.46% to 23.10%	2017 to 2026	299,009
			96,896			188,877			318,764			359,866

Target Company

	As at 31 December								As at 30 September		
	2012			2013			2014		2015		
	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*	Effective interest rate (%)	Maturity	*US$'000*
Current portion	6.15% to 11.22%	2013	11,076	5.20% to 11.22%	2014	22,466	5.16% to 18.23%	2015	27,445	4.59% to 18.23%	2016	50,962
Non-current portion	6.15% to 11.22%	2014 to 2024	85,820	5.20% to 11.22%	2015 to 2024	149,196	5.16% to 18.23%	2016 to 2026	213,201	4.59% to 18.23%	2017 to 2026	239,052
			96,896			171,662			240,646			290,014

The Target Group leased certain of its containers and vehicles under finance leases which have remaining lease terms ranging from one to twelve years.

At the end of each of the Relevant Periods, the total future minimum lease payments receivable under finance leases and their present values were as follows:

Target Group

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts receivable:								
Within one year	19,975	38,476	58,044	82,449	11,076	25,300	38,173	60,857
In the second to fifth years	87,306	167,354	259,087	280,070	69,657	134,757	208,329	235,038
More than five years	28,851	32,565	93,075	80,636	16,163	28,820	72,262	63,971
	136,132	238,395	410,206	443,155	96,896	188,877	318,764	359,866
Future finance income	(39,236)	(49,518)	(91,442)	(83,289)				
Present value of minimum lease payments receivable	96,896	188,877	318,764	359,866				

Target Company

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts receivable:								
Within one year	19,975	34,642	41,973	67,709	11,076	22,466	27,445	50,962
In the second to fifth years	87,306	155,702	198,807	225,758	69,657	125,674	162,506	193,099
More than five years	28,851	25,663	65,735	58,251	16,163	23,522	50,695	45,953
	136,132	216,007	306,515	351,718	96,896	171,662	240,646	290,014
Future finance income	(39,236)	(44,345)	(65,869)	(61,704)				
Present value of minimum lease payments receivable	96,896	171,662	240,646	290,014				

The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments and there is no estimated unguaranteed residual value of the leased assets. Interest rates are fixed at the contract dates.

Finance lease receivables are secured over the containers leased. The Target Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee. The lessee has an option to purchase the containers at the price stated in the lease contract at the end of the lease terms.

At 31 December 2012, 2013 and 2014 and 30 September 2015, included in the Target Group's finance lease receivables are amounts due from a fellow subsidiary of US$5,702,000, US$4,625,000, US$3,479,000 and US$2,573,000, respectively.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group's finance lease receivables from a fellow subsidiary and the largest third party debtors accounted for approximately 6% and 60%, 2% and 27%, 1% and 46% and 1% and 38% of total finance receivables, respectively.

16. INVENTORIES

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Containers	–	28,709	60,368	31,656

17. TRADE AND OTHER RECEIVABLES

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	15,266	17,140	21,185	32,031
Prepayments	1,192	1,766	2,853	3,228
Other receivables	334	432	465	907
	16,792	19,338	24,503	36,166

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 90 days. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Target Group's trade receivables from the five largest third party debtors accounted for approximately 49%, 48%, 47% and 56% of total trade receivables respectively.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 month	8,184	8,908	12,779	15,501
1 to 2 months	6,324	5,047	7,449	14,131
2 to 3 months	623	2,995	891	2,052
More than 3 months	135	190	66	347
	15,266	17,140	21,185	32,031

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Neither past due nor impaired	14,061	15,101	19,007	22,796
Less than 1 month past due	1,186	2,015	1,739	8,480
1 to 3 months past due	17	18	379	714
More than 3 months but less than 12 months past due	2	6	60	41
	15,266	17,140	21,185	32,031

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2012, 2013 and 2014 and 30 September 2015, included in the Target Group's trade receivables are amounts due from the Target Group's fellow subsidiaries of US$5,435,000, US$4,559,000, US$4,140,000 and US$4,018,000 respectively, which are repayable on credit terms similar to those offered to the major customers of the Target Group.

None of the above assets of prepayments and other receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Prepayments	1,192	1,531	2,709	3,108
Other receivables	–	17	12	79
	1,192	1,548	2,721	3,187

18. AMOUNT DUE FROM AN INTERMEDIATE HOLDING COMPANY

The amount due from an intermediate holding company is unsecured, interest-free and repayable on demand.

19. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and repayable on demand.

The amount due to an associate is trade in nature and is unsecured, interest-free and repayable on demand.

20. AMOUNT DUE FROM/(TO) SUBSIDIARIES

Balances with subsidiaries are unsecured, interest-free and repayable on demand.

21. RESTRICTED BANK BALANCES/CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Restricted bank balances	4,347	8,970	27,783	29,723
Cash and bank balances	71,822	136,430	25,484	24,734

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Restricted bank balances	4,347	2,492	7,442	12,657
Cash and bank balances	64,546	122,002	7,360	13,146

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and bank balances denominated in:				
Hong Kong dollar	57	122	99	159
Renminbi	6	5	–	–
United States dollar	71,759	136,177	25,319	24,496
Euro	–	31	35	15
Singapore dollar	–	95	31	64
	71,822	136,430	25,484	24,734

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and bank balances denominated in:				
Hong Kong dollar	18	8	13	62
United States dollar	64,528	121,994	7,347	13,084
	64,546	122,002	7,360	13,146

The restricted bank balances are held in designated bank accounts as guarantee deposits for notes payable and bank loans. The restricted bank balances carry a market interest rate of 0.01% per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

22. TRADE AND OTHER PAYABLES

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	597	24,059	25,486	18,906
Other payables	7,793	157,043	37,895	135,343
Accruals	105	445	452	262
Advance from customers	3,697	5,443	8,693	10,436
	12,192	186,990	72,526	164,947

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 3 months	597	24,059	25,486	18,906

At 31 December 2012, 2013 and 2014, included in the Target Group's trade and other payables are amounts due to fellow subsidiaries of US$915,000, US$21,114,000 and US$30,197,000 respectively.

At 31 December 2013 and 30 September 2015, included in the Target Group's trade and other payables are amounts due to the immediate holding company of US$130,000,000 and US$127,000,000 respectively. These amounts due to the immediate holding company were funds to finance the operation of the immediate holding company, which was classified as financing activities in the consolidated statements of cash flows. Balances with immediate holding company are unsecured, interest-bearing at 2.5% per annum and repayable on demand.

At 31 December 2012 and 2014, included in the Target Group's trade and other payables are amounts due to associates of US$907,000 and US$252,000 respectively.

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Other payables	4,889	133,913	5,638	133,741
Accruals	27	26	–	–
Advance from customers	3,164	4,185	5,009	7,426
	8,080	138,124	10,647	141,167

Other payables are non-interest-bearing and have an average term of three months.

23. BANK AND OTHER BORROWINGS

Target Group and Target Company

	As at 31 December									As at 30 September		
	2012			2013			2014			2015		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*US$'000*	*(%)*		*US$'000*	*(%)*		*US$'000*	*(%)*		*US$'000*
Current												
Bank loans – secured	LIBOR+ 0.76 to 2.66	2013	179,320	LIBOR+ 0.76 to 2.66	2014	48,520	LIBOR to LIBOR+2.66	2015	92,610	LIBOR+ 0.76 to 2.2	2016	93,060
Other loans – secured	N/A	N/A	–	2.87	2014	5,440	2.55 to 3.04	2015	23,484	2.55 to 3.04	2016	23,484
			179,320			53,960			116,094			116,544
Non-current												
Bank loans – secured	LIBOR+ 0.76 to 2.66	2015 to 2017	211,860	LIBOR+ 0.76 to 2.66	2015 to 2017	163,340	LIBOR to LIBOR+2.66	2016 to 2019	110,040	LIBOR+ 0.76 to 2.2	2016 to 2019	215,821
Other loans – secured	N/A	N/A	–	2.87	2018 to 2019	44,560	2.55 to 3.04	2018 to 2019	162,673	2.55 to 3.04	2018 to 2019	145,059
			211,860			207,900			272,713			360,880
			391,180			261,860			388,807			477,424

Notes:

(a) Certain of the Target Group's bank and other borrowings are secured by containers with carrying values of US$331,386,000, US$520,008,000, US$602,033,000 and US$704,288,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015 (note 13) respectively.

(b) All borrowings are in United States dollars.

24. NOTES PAYABLE

Details of the notes payable are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Principal amount	–	200,000	359,000	359,000
Discount on issue	–	(1,800)	(1,936)	(1,935)
Notes issuance cost	–	(2,798)	(4,495)	(4,495)
Proceeds received	–	195,402	352,569	352,570
Principal repayment	–	(4,300)	(24,084)	(52,746)
Accumulated amortised amounts of:				
– discount on issue	–	83	832	1,247
– notes issuance cost	–	70	211	632
	–	191,255	329,528	301,703
Analysed as:				
Current	–	17,237	37,081	37,684
Non-current	–	174,018	292,447	264,019
Amounts due after one year	–	191,255	329,528	301,703

On 25 September 2013, Dong Fang Container Finance (SPV) Limited ("DFCF(SPV)"), a subsidiary of the Target Company, issued a note with an aggregate principal amount of US$200,000,000. The note carries a fixed interest yield of 3.96% per annum and was issued at a price of 99.1001049% of its principal amount. The note bears interest from 25 September 2013 payable monthly in arrears. The note was secured by a pool of intermodal marine cargo containers and the relevant leases of such containers held by DFCF(SPV). Unless previously prepaid by DFCF(SPV), the note will mature on 24 September 2023 at its principal amount. The note is subject to repayment in whole or in part, at a price equal to 102% of the aggregate principal amount if repayment made during 25 October 2015 to 25 October 2018 or 100% of the aggregate principal amount if repayment made on or after 25 October 2018, together with accrued interest, at the discretion of DFCF(SPV) at any time after 25 October 2015.

On 4 December 2014, Dong Fang Container Finance II (SPV) Limited ("DFCFII(SPV)"), a subsidiary of the Target Company, issued notes with 2 classes. The notes are set out as follows:

(a) principal amount of US$35,000,000 class A-1 notes ("Class A-1 Notes") and

(b) principal amount of US$124,000,000 class A-2 notes ("Class A-2 Notes")

Class A-1 Notes carries a fixed interest yield of 1.95% per annum and were issued at a price of 99.99017% of their principal amount.

Class A-2 Notes carried a fixed interest yield of 3.55% per annum and were issued at a price of 99.89347% of their principal amount.

The notes bear interest from 4 December 2014 payable monthly in arrears. The notes are secured by a pool of intermodal marine cargo containers and the relevant leases of such containers held by the DFCFII(SPV). Unless previously repaid by the DFCFII(SPV), Class A-1 Notes and Class A-2 Notes will mature in November 2018 and April 2024 at their principal amounts respectively. The notes are subject to repayment in whole or in part at their principal amounts, together with accrued interest, at the discretion of the DFCFII(SPV) at any time after 4 December 2016.

25. SHARE CAPITAL

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised, issued and fully paid:				
100,000,000 shares of US$1 each	100,000	100,000	100,000	100,000

26. DEFERRED TAX

The following are the deferred tax liabilities recognised and movements therein for the Relevant Periods:

	Accelerated tax depreciation	**Undistributed earnings of PRC associates**	**Total**
	US$'000	*US$'000*	*US$'000*
At 1 January 2012	(8)	2,246	2,238
Deferred tax charged/(credited) to profit or loss	32	(7)	25
Exchange realignment	–	6	6
At 31 December 2012 and 1 January 2013	24	2,245	2,269
Deferred tax charged/(credited) to profit or loss	95	(1,629)	(1,534)
Exchange realignment	–	44	44
At 31 December 2013 and 1 January 2014	119	660	779
Deferred tax charged/(credited) to profit or loss	(3)	67	64
Exchange realignment	–	(3)	(3)
At 31 December 2014 and 1 January 2015	116	724	840
Deferred tax charged/(credited) to profit or loss	(34)	47	13
Exchange realignment	–	(28)	(28)
At 30 September 2015	82	743	825

27. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

The capital reserve represents a waiver of a loan of US$80,000,000 from CSHK to the Target Company which is deemed to be a shareholders' contribution in a prior year.

(b) Target Company

	Capital reserve *US$'000*	Retained profits *US$'000*	Total *US$'000*
At 1 January 2012	80,000	43,783	123,783
Profit and total comprehensive income for the year	–	52,797	52,797
At 31 December 2012	80,000	96,580	176,580
Profit and total comprehensive income for the year	–	55,109	55,109
At 31 December 2013	80,000	151,689	231,689
Profit and total comprehensive income for the year	–	34,299	34,299
At 31 December 2014	80,000	185,988	265,988
Profit and total comprehensive income for the period	–	29,961	29,961
At 30 September 2015	80,000	215,949	295,949

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

	As at 31 December			As at 30 September
	2012 *US$'000*	2013 *US$'000*	2014 *US$'000*	2015 *US$'000*
Financial assets – Loans and receivables				
Finance lease receivables	96,896	188,877	318,764	359,866
Trade receivables	15,266	17,140	21,185	32,031
Financial assets included in other receivables	334	342	454	893
Amount due from an intermediate holding company	1	–	–	–
Amounts due from associates	5,902	17,892	1,662	2,470
Restricted bank balances	4,347	8,970	27,783	29,723
Cash and cash equivalents	71,822	136,430	25,484	24,734
	194,568	369,651	395,332	449,717
Financial liabilities – Amortised cost				
Trade payables	597	24,059	25,486	18,906
Financial liabilities included in other payables	7,793	157,043	37,895	135,343
Bank and other borrowings	391,180	261,860	388,807	477,424
Notes payable	–	191,255	329,528	301,703
	399,570	634,217	781,716	933,376

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets – Loans and receivables				
Finance lease receivables	96,896	171,662	240,646	290,014
Financial assets included in other receivables	–	17	12	79
Amount due from an intermediate holding company	1	–	–	–
Amounts due from subsidiaries	33,040	23,289	42,233	47,744
Restricted bank balances	4,347	2,492	7,442	12,657
Cash and cash equivalents	64,546	122,002	7,360	13,146
	198,830	319,462	297,693	363,640
Financial liabilities – Amortised cost				
Financial liabilities included in other payables	4,889	133,913	5,638	133,741
Amounts due to subsidiaries	–	115	3,384	5,724
Bank and other borrowings	391,180	261,860	388,807	477,424
	396,069	395,888	397,829	616,889

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's financial instruments comprise trade and other receivables, finance lease receivables, amounts due from an intermediate holding company, immediate holding company, fellow subsidiaries and associates, restricted bank balances, cash and cash equivalents, trade and other payables, amounts due to immediate holding company, fellow subsidiaries and an associate, bank and other borrowings and notes payable. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Certain transactions of the Target Group are denominated in foreign currencies, which expose the Target Group to foreign currency risk. The Target Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain monetary assets are denominated in foreign currencies at the end of each of the Relevant Periods. The exposure to exchange rate risk mainly arises from fluctuations in the exchange rate of HK. The Target Group's currency risk exposure in relation to the monetary assets is expected to be minimal as HK$ is pegged to US$.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and variable-rate bank borrowings (note 23). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming that these financial instruments outstanding at the end of each of the Relevant Periods were outstanding for the whole year/period. A 10 basis point increases or decreases for bank balances and 50 basis points for bank borrowings are used, which represent management's assessment of the reasonably possible change in interest rates for the Relevant Periods.

If interest rates on interest-bearing bank balances and bank borrowings had been 10 and 50 basis points higher/lower, respectively, and all other variables were held constant, the Target Group's profit for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 would decease/increase by US$1,573,000, US$763,000, US$802,000 and US$1,244,000 respectively.

Credit risk

At the end of the each of the Relevant Periods, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

China Shipping Container Lines (Hong Kong) Co., Limited ("CSCLHK"), a fellow subsidiary of the Target Company and its immediate holding company is a company listed on The Stock Exchange of Hong Kong Limited, accounted for approximately 10.0%, 4.4%, 2.2% and 1.7% of the Target Group's aggregate trade and finance lease receivables as at 31 December 2012, 2013 and 2014 and 30 September 2015. Other than CSCLHK, trade and finance lease receivables from the five largest third party debtors accounted for approximately 81%, 50%, 74% and 76% and the single largest debtor accounted for approximately 53%, 25%, 44% and 36% of the Target Group's aggregate trade and finance lease receivables as at 31 December 2012, 2013, 2014 and 30 September 2015, respectively.

In order to minimise the credit risk, management of the Target Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than the concentration of credit risk on trade and finance lease receivables as mentioned above and on liquid funds which are deposited with several banks with good reputation, the Target Group does not have significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Target Group and the Target Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Target Group's and the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The Target Group's and the Target Company's financial liabilities are repayable within 30 days. The contractual maturity of these financial liabilities is based on the earliest day on which the Target Group and the Target Company can be required to pay their carrying amounts.

30. OPERATING LEASES

The Target Group as lessee

The Target Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At the end of each of the Relevant Periods, the Target Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	50	195	1,227	1,184
In the second to fifth years, inclusive	30	234	1,175	267
	80	429	2,402	1,451

30. OPERATING LEASES

The Target Group as lessor

The Target Group leases its containers (note 13 to the Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from one to twelve years.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	63,526	72,661	65,057	99,512
In the second to fifth years, inclusive	131,266	151,212	116,050	209,463
After five years	5,933	11,573	14,127	24,100
	200,725	235,446	195,234	333,075

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Target Group had the following capital commitments:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Contracted, but not provided for				
Containers	30,638	9,089	51,579	17,149

32. RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the transactions detailed elsewhere in this Financial Information, the Target Group had the following significant transactions with related parties during the Relevant Periods and the nine months ended 30 September 2014:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Intermediate holding company					
Rental expenses and building management fee	655	–	–	–	–
Immediate holding company					
Interest income	–	2	4	1	1
Interest expense	–	–	1,275	1,261	983
Information system maintenance fee	–	–	19	–	–
Rental expenses paid	–	824	1,040	780	780
Associates					
Delivery fees of containers paid by Target Group	44	1,311	5	5	–
Container technical transformation expense/(refund)	906	(873)	–	–	–
Purchase of containers	81	–	252	–	39
Fellow subsidiaries					
Purchase of containers	14,309	108,130	104,713	57,721	20
Leasing income recognised:					
– on containers	32,729	26,067	22,478	16,828	16,456
– on vehicles	2,073	1,796	1,505	1,127	1,069
Compensation from loss of containers	24	580	463	287	104
Information system implementation fee to fellow subsidiaries	71	812	528	39	–
Purchase of an information systems	270	955	–	–	–

(b) Outstanding balances with related parties:

Details of the balances with an intermediate holding company and associates are set out in the consolidated statements of financial position and in notes 18 and 19.

(c) Compensation of key management personnel

Other than those disclosed in note 9, no remuneration was paid to the Directors, being the key management personnel, during the Relevant Periods and the nine months ended 30 September 2014.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(i) For the year ended 31 December 2014, the Target Group issued notes with a net aggregate principal amount of US$157,167,000. US$146,910,000 of the proceeds from issuing the notes was used to settle the bank borrowings of the Target Group directly. The proceeds, issuance cost and the discount on issue are US$10,257,000, US$1,697,000 and US$136,000, respectively.

(ii) Dividends declared from associates for the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2014 and 2015 were US$17,892,000, US$1,662,000, US$583,000 and US$3,449,000, respectively, of which US$17,892,000, US$1,662,000, US$583,000 and US$2,466,000 were unpaid as at 31 December 2013, 31 December 2014, 30 September 2014 and 30 September 2015, respectively, and included in the current accounts with associates.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We report on the financial information of Florens Container Holdings Limited ("Florens") and its subsidiaries (together, the "Florens Group"), which comprises the consolidated and company balance sheets of Florens as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of Florens for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"). This Financial Information has been prepared by the directors of China Shipping Container Lines Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix I to the circular of the Company dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of Florens and other interlocked transactions by the Company. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

Florens was incorporated in the British Virgin Islands as a company with limited liability on 16 July 1998. As at the date of this report, Florens has direct and indirect interests in the subsidiaries as set out in Note 11 of Section II below.

The consolidated financial statements of Florens for each of the years ended 31 December 2012, 2013 and 2014 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with Florens. The details of the statutory auditor of the subsidiaries of Florens are set out in Note 11 of Section II.

The directors of the Company during the Relevant Periods are responsible for the preparation of the consolidated financial statements of Florens that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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The Financial Information has been prepared based on the audited consolidated financial statements or, where appropriate, unaudited consolidated financial statements of Florens after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs, and the accounting policies adopted by the Company and its subsidiaries (the "Group") as set out in the interim report of the Company for the period ended 30 June 2015.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Florens and of the Florens Group as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the Florens Group's results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative Financial Information set out in Sections I to II below included in Appendix IB to the Circular which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of Florens for the nine months ended 30 September 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below and the accounting policies adopted by the Group as set out in the interim report of the Company for the period ended 30 June 2015.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I FINANCIAL INFORMATION OF THE FLORENS GROUP

The following is the financial information of Florens Container Holdings Limited ("Florens") and its subsidiaries (together, the "Florens Group") prepared by the directors of the Company as at 31 December 2012, 2013, and 2014 and 30 September 2015, and for each of the Relevant Periods (the "Financial Information"):

Consolidated balance sheets

	Note	As at 31 December 2012	2013	2014	As at 30 September 2015
		US$'000	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*7*	1,687,901	1,787,350	1,721,259	1,828,404
Investment properties	*8*	817	751	1,315	1,258
Land use rights	*9*	116	111	106	103
Intangible assets	*10*	4,264	3,898	2,725	1,922
Finance lease receivables	*12*	62,502	60,877	66,343	75,794
Deferred income tax assets	*21*	1,871	1,920	2,105	2,090
Other non-current assets	*13*	14,013	25,317	38,284	5,864
		1,771,484	1,880,224	1,832,137	1,915,435
Current assets					
Inventories	*14*	6,978	12,378	16,278	9,104
Trade and other receivables	*15*	68,728	69,741	82,173	119,750
Amount due from immediate holding company	*24*	396	–	–	–
Cash and cash equivalents	*36(b)*	190,615	149,722	253,181	108,227
		266,717	231,841	351,632	237,081
Total assets		2,038,201	2,112,065	2,183,769	2,152,516
EQUITY					
Capital and reserves attributable to the equity holder of Florens					
Share capital	*18*	22	22	22	22
Reserves		923,515	998,998	1,094,638	1,163,193
		923,537	999,020	1,094,660	1,163,215
Non-controlling interests		1,529	4,675	6,261	5,413
Total equity		925,066	1,003,695	1,100,921	1,168,628

	Note	As at 31 December 2012 US$'000	2013 US$'000	2014 US$'000	As at 30 September 2015 US$'000
LIABILITIES					
Non-current liabilities					
Long term bank loans	*20*	693,741	630,691	559,352	557,490
Deferred income tax liabilities	*21*	2,146	1,985	1,502	1,189
Other long term liabilities		810	835	832	2,686
Loan from a non-controlling shareholder	*23*	50,000	50,000	50,000	50,000
		746,697	683,511	611,686	611,365
Current liabilities					
Trade and other payables	*22*	36,159	64,438	91,775	47,010
Amount due to immediate holding company	*24*	–	568	531	531
Current income tax liabilities		4,809	5,830	7,135	7,986
Current portion of long term bank loans	*20*	325,470	164,023	181,721	31,996
Loan from immediate holding company	*25*	–	190,000	190,000	285,000
		366,438	424,859	471,162	372,523
Total liabilities		1,113,135	1,108,370	1,082,848	983,888
Net current liabilities		99,721	193,018	119,530	135,442
Total equity and liabilities		2,038,201	2,112,065	2,183,769	2,152,516

Balance sheets

	Note	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 September 2015
		US$'000	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Non-current assets					
Subsidiaries	*11*	188,554	188,554	188,554	188,554
Loan to a subsidiary	*26*	50,000	50,000	50,000	51,453
		238,554	238,554	238,554	240,007
Current assets					
Amounts due from subsidiaries	*17*	599,183	705,405	502,962	886,580
Amount due from immediate holding company		396	–	–	–
Cash and cash equivalents	*36(b)*	–	20	9	3
		599,579	705,425	502,971	886,583
Total assets		838,133	943,979	741,525	1,126,590
EQUITY					
Capital and reserves attributable to the equity holder of Florens					
Share capital	*18*	22	22	22	22
Reserves	*19*	179,525	179,734	179,837	179,742
Total equity		179,547	179,756	179,859	179,764
LIABILITIES					
Current liabilities					
Other payables and accruals	*22*	100	95	95	71
Amounts due to subsidiaries	*24*	658,486	573,560	371,040	661,224
Amount due to immediate holding company	*24*	–	568	531	531
Loan from immediate holding company	*25*	–	190,000	190,000	285,000
Total liabilities		658,586	764,223	561,666	946,826
Net current liabilities		59,007	58,798	58,695	60,243
Total equity and liabilities		838,133	943,979	741,525	1,126,590

Consolidated income statements

		Year ended 31 December			Nine months ended 30 September	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Revenue	*6*	336,224	347,747	357,075	269,304	239,328
Cost of sales	*29*	(151,658)	(169,989)	(208,940)	(157,156)	(140,094)
Gross profit		184,566	177,758	148,135	112,148	99,234
Administrative expenses	*29*	(28,030)	(27,290)	(26,074)	(17,988)	(14,426)
Other income	*27*	1,249	1,928	1,025	627	4,418
Other (loss)/gain, net	*28*	(918)	(509)	(764)	7,090	908
Operating profit		156,867	151,887	122,322	101,877	90,134
Finance income	*30*	885	452	874	574	665
Finance costs	*30*	(14,717)	(22,150)	(22,782)	(16,867)	(15,987)
Profit before income tax		143,035	130,189	100,414	85,584	74,812
Income tax expenses	*31*	(2,547)	(3,128)	(2,739)	(2,185)	(2,097)
Profit for the year/period		140,488	127,061	97,675	83,399	72,715
Profit attributable to:						
Equity holder of Florens		139,044	124,828	95,983	82,350	71,189
Non-controlling interests		1,444	2,233	1,692	1,049	1,526
		140,488	127,061	97,675	83,399	72,715

Consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit for the year/period	140,488	127,061	97,675	83,399	72,715
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences arising on translation of the financial information of foreign subsidiaries	230	2,168	(420)	(716)	(5,008)
Release of reserve upon liquidation of a subsidiary	–	–	(29)	(29)	–
Total comprehensive income for the year/period	140,718	129,229	97,226	82,654	67,707
Total comprehensive income attributable to:					
Equity holder of Florens	139,201	126,083	95,640	81,953	68,555
Non-controlling interest	1,517	3,146	1,586	701	(848)
	140,718	129,229	97,226	82,654	67,707

Consolidated statements of changes in equity

	Share capital US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interest US$'000	Total equity US$'000
At 1 January 2012	22	3,722	114	836,278	840,114	12	840,148
Exchange differences arising on translation of the financial information of foreign subsidiaries	–	157	–	–	157	73	230
Transfer to other reserve	–	–	333	(333)	–	–	–
Profit for the year	–	–	–	139,044	139,044	1,444	140,488
Dividends *(note 32)*	–	–	–	(55,800)	(55,800)	–	(55,800)
At 31 December 2012	22	3,879	447	919,189	923,515	1,529	925,066
At 1 January 2013	22	3,879	447	919,189	923,515	1,529	925,066
Exchange differences arising on translation of the financial information of foreign subsidiaries	–	1,255	–	–	1,255	913	2,168
Profit for the year	–	–	–	124,828	124,828	2,233	127,061
Dividends *(note 32)*	–	–	–	(50,600)	(50,600)	–	(50,600)
At 31 December 2013	22	5,134	447	993,417	998,998	4,675	1,003,695
At 1 January 2014	22	5,134	447	993,417	998,998	4,675	1,003,695
Exchange differences arising on translation of the financial information of foreign subsidiaries	–	(314)	–	–	(314)	(106)	(420)
Release of reserve upon liquidation of a subsidiary	–	(29)	–	–	(29)	–	(29)
Profit for the year	–	–	–	95,983	95,983	1,692	97,675
At 31 December 2014	22	4,791	447	1,089,400	1,094,638	6,261	1,100,921
Nine months ended 30 September 2015							
At 1 January 2015	22	4,791	447	1,089,400	1,094,638	6,261	1,100,921
Exchange differences arising on translation of the financial information of foreign subsidiaries	–	(2,634)	–	–	(2,634)	(2,374)	(5,008)
Profit for the period	–	–	–	71,189	71,189	1,526	72,715
At 30 September 2015	22	2,157	447	1,160,589	1,163,193	5,413	1,168,628
Nine months ended 30 September 2014 (unaudited)							
At 1 January 2014	22	5,134	447	993,417	998,998	4,675	1,003,695
Exchange differences arising on translation of the financial information of foreign subsidiaries	–	(367)	–	–	(367)	(349)	(716)
Release of reserve upon liquidation of a subsidiary	–	(29)	–	–	(29)	–	(29)
Profit for the period	–	–	–	82,350	82,350	1,049	83,399
At 30 September 2014	22	4,738	447	1,075,767	1,080,952	5,375	1,086,349

Consolidated cash flow statements

		Year ended 31 December			Nine months ended 30 September	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Cash flows from operating activities						
Cash generated from operations	*36(a)*	243,502	272,607	281,821	220,184	171,442
Interest received		885	401	896	546	652
Tax refunded		13	–	–	–	–
Taxation paid		(1,850)	(2,314)	(2,103)	(1,519)	(1,555)
Net cash generated from operating activities		242,550	270,694	280,614	219,211	170,539
Cash flows from investing activities						
Purchase of plant, equipment and intangible assets		(372,811)	(256,121)	(280,407)	(258,255)	(244,470)
Proceeds from sale of property, plant and equipment		6,127	50,547	178,638	112,283	2,478
Compensation received for loss of containers		378	478	528	436	198
Net cash used in investing activities		(366,306)	(205,096)	(101,241)	(145,536)	(241,794)
Cash flows from financing activities						
Drawdown of bank loans		570,000	100,000	240,000	240,000	130,000
Repayments of bank loans		(341,000)	(326,000)	(295,000)	(195,000)	(283,000)
Dividends paid to the equity holder of Florens		(55,800)	(50,600)	–	–	–
Interest paid		(12,082)	(19,009)	(19,068)	(14,070)	(13,706)
Other incidental borrowing costs paid		(9,459)	(1,484)	(1,817)	(1,816)	(1,099)
Loan from immediate holding company		–	190,000	–	–	95,000
Net cash generated from/(used in) financing activities		151,659	(107,093)	(75,885)	29,114	(72,805)
Net increase/(decrease) in cash and cash equivalents		27,903	(41,495)	103,488	102,789	(144,060)
Cash and cash equivalents at beginning of the year/period		162,827	190,615	149,722	149,722	253,181
Exchange differences		(115)	602	(29)	(218)	(894)
Cash and cash equivalents at end of the year/period	*36(b)*	190,615	149,722	253,181	252,293	108,227

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Florens Group is principally engaged in the businesses of container leasing, management and sale, finance leasing, and their related businesses. Florens is a limited liability company incorporated in the British Virgin Islands and its registered office is Pasea Estate, Road Town, Tortola, the British Virgin Islands.

The immediate holding company of Florens is COSCO Pacific Limited ("COSCO Pacific"), a company established in Bermuda and listed in Hong Kong. The intermediate holding company of Florens is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") with its H-shares and A-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO Company"), a state-owned enterprise established in the PRC.

The Financial Information is presented in United States dollar ("US$"), unless otherwise stated.

2 BASIS OF PREPARATION

(a) The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information has been prepared under the historical cost convention throughout the Relevant Periods.

As at 30 September 2015, the Florens Group's and Florens' current liabilities exceeded their current assets by US$135,442,000 and US$60,243,000 respectively. The Florens Group's and Florens' abilities to continue as going concerns are highly dependent on the continuing financial support from its equity holder. COSCO Pacific, the immediate holding company confirmed its intention to provide continuing financial support to the Florens Group and Florens in the earlier of the coming 12 months up to 30 September 2016 and the completion date of the proposed acquisition of Florens and other interlocked transactions by the Company so as to enable the Florens Group and Florens to meet their liabilities as and when they fall due and to carry on their business without a significant curtailment of operation for the foreseeable future. The Company confirmed its intention to provide continuing financial support to the Florens Group and Florens up to 31 December 2016 starting from the completion date of the proposed acquisition of Florens and other interlocked transactions by the Company, if completed. On this basis, the directors of the Company believe that the Florens Group and Florens will continue as going concerns. Consequently, the directors of the Company have prepared the Financial Information on a going concern basis.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Florens Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(b) Standards, amendments and interpretations have been issued but are not yet effective for the financial periods beginning on or after 1 January 2016 which are applicable to the Florens Group

The following new HKFRSs are relevant to the Florens Group and mandatory for the accounting period beginning on or after 1 October 2015 or later periods but which the Florens Group has not early adopted:

HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendments	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKAS 1 Amendment	Disclosure Initiative[1]
HKAS 16 and HKAS 28 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
Annual improvements 2014	Annual improvements 2012-2014 Cycle[1]

1. Effective for annual periods beginning on or after 1 January 2016
2. Effective for annual periods beginning on or after 1 January 2018

The Florens Group has already commenced as assessment of the impact of these new or revised standards, amendments and interpretations to the Florens Group, but is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Financial Information are set out below. There policies have been consistently applied to all the years/periods presented.

3.1 Group accounting

(a) Business combination

The Florens Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Florens Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Florens Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Florens Group has control. The Florens Group controls an entity when the Florens Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Florens Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Florens Group's accounting policies.

In Florens' balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by Florens on the basis of dividend income received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate Financial Information exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Florens Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures, associates or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Florens Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(e) Balances with subsidiaries

Balances with subsidiaries are split into its financial assets/liabilities and equity components at initial recognition. The financial asset/liability component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Florens Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in United States dollar ("US dollar"), which is Florens' functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Florens Group companies

The results and financial position of all the Florens Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Florens Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holder of Florens are reclassified to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Related exchange differences are recognised in other comprehensive income.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Florens Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Containers	15 years
Generator sets	12 years
Leasehold land classified as finance lease	Remaining period of the lease
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

When the containers cease to be rented and are held for sales, these containers are transferred to inventories at their carrying amount.

3.4 Land use rights

Land use rights classified as operating lease represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

3.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Florens Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

3.6 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Florens Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer systems under development are transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

3.7 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or are not subject to depreciation or amortisation are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.8 Impairment of financial assets

Assets carried at amortised cost

The Florens Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Florens Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.9 Inventories

Inventories include resaleable containers. Inventories are stated at the lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.12 Assets under leases

Leases in which a significant portion of the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases, including leases which transfer ownership of the asset to the lessee at the end of lease term.

(a) Leases – where the Florens Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease periods.

(b) Leases – where the Florens Group is the lessor

When the Florens Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Florens Group's depreciation policies, as set out in note 3.3 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Florens Group's revenue recognition policies, as set out in notes 3.18(a) and 3.18(c) below.

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. Revenue on assets leased out under finance leases is recognised in accordance with the Florens Group's revenue recognition policies, as set out in note 3.18(e) below.

3.13 Provisions

Provisions are recognised when the Florens Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Florens Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Florens Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised (provided), using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Florens Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.17 Employee benefits

(a) Retirement benefit costs

The Florens Group contributes to defined contribution retirement schemes. The assets of the schemes are held separately from those of the Florens Group in independently administered funds.

Pursuant to the relevant regulations of the government authorities in different territories where the Florens Group has employees, the Florens Group participates in respective government benefit schemes whereby the Florens Group is required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Florens Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries.

The Florens Group's contributions to the aforesaid defined contribution retirement schemes are charged to the consolidated income statement as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Florens Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Share-based compensation

A parent company (the ultimate holding company) makes a recharge to the subsidiary (the company) in respect of share options granted to the subsidiary's employees. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

In respect of the subsidiary, the fair value of employee services received, measured by reference to the grant date fair value of options granted, is recognised over the vesting period as an expense with a corresponding increase in capital contribution from the parent company. An inter-company charge payable by a subsidiary will be offset against that capital contribution.

3.18 Recognition of revenue and income

The Florens Group recognises revenue and income on the following bases:

(a) Revenue from leasing of containers, generator sets and car racks

Rental income from leasing of containers, generator sets and car racks under operating leases is recognised on a straight-line basis over the period of each lease.

(b) Revenue from container management

Revenue from container management is recognised when the related management and administrative services are rendered.

(c) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease and is recognised in the consolidated income statement within other operating income.

(d) Revenue from sale of resaleable containers included in inventories

Revenue from sale of resaleable containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed.

(e) Revenue from finance leases

Revenue on containers, terminal equipment and vessels leased out under finance leases is allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(f) Pre-lease interest income

Pre-lease interest income is recognised on a time proportion basis using the floating interest rates agreed in finance lease agreements.

(g) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3.19 Dividend distribution

Dividend distribution to Florens' shareholder is recognised as a liability in the Florens Group's and Florens' Financial Information in the period in which the dividends are approved by Florens' shareholder/directors.

3.20 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Florens Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities other than those acquired from business combination are not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Florens Group.

Contingent assets are not recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Florens Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. Management of Florens manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Florens Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Florens Group's financial performance.

Risk management is carried out under direction by the Boards of Directors of Florens. The directors and management of Florens identify, evaluate and hedge financial risks in close co-operation with the Florens Group's operating units. The Florens Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

The Florens Group operates internationally and most of the Florens Group's revenues and expenses related transactions and borrowings are also denominated in US$, the Florens Group is not subject to any significant foreign currency risk.

The actual foreign exchange risk faced by the Florens Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances (collectively "Non-Functional Currency Items"). Management of Florens monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Florens Group's profit after income tax for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 would have been decreased/increased by approximately US$352,000, US$131,000, US$87,000, US$105,000 and US$49,000 respectively as a result of the translation of those Non-Functional Currency Items.

(ii) Cash flow interest rate risk

Other than finance lease receivables and bank balances (collectively "Interest Bearing Assets"), the Florens Group has no other significant interest bearing assets. The Florens Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Florens Group's interest rate risk arises from long term borrowings, including external bank loans (collectively "Interest Bearing Liabilities"). Borrowings are primarily issued at variable rates which therefore expose the Florens Group to cash flow interest rate risk. The Florens Group policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

With all other variable held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding net costs (representing costs on Interest Bearing Liabilities net of income on Interest Bearing Assets) would have been increased/decreased by approximately US$3,814,000, US$2,882,000, US$2,105,000, US$2,621,000 and US$1,995,000 respectively for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

(b) Credit risk

The Florens Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables, and finance lease receivables.

The majority of the Florens Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Florens Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. For the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, container leasing rental income from COSCON accounted for approximately 41%, 44%, 48%, 47% and 54% of the Florens Group's revenue respectively and most of balance receivable from COSCON are aged within the credit period granted.

There is no concentration of credit risk with respect to trade and finance lease receivables from third party customers as the Florens Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Florens Group's revenue. The Florens Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables. The Florens Group has also insured the recoverability for majority of its third party trade receivable balances.

Customer lease out limit is assessed by the credit and risk management department with reference to their financial positions, historical credit references and other factors. This limit will be reviewed and adjusted, if circumstances required, to comply with the Florens Group's credit and risk management policy.

No credit limits were exceeded during the Relevant Periods, and management does not expect any significant losses from non-performance by these relevant parties.

For bank balances and cash, the Florens Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings.

No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

The Florens Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds (including the funding from immediate holding company) are available for its short term and long term requirements. It is in a net current liabilities position as of year/period end date. Please refer to Note 2(a).

The table below analyses the Florens Group's and Florens' financial liabilities which will be settled into relevant maturity groupings based on the remaining periods at each of the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	*US$'000*	*US$'000*	*US$'000*
Florens Group				
At 31 December 2012				
Bank borrowings	342,624	178,126	550,561	–
Trade and other payables	36,159	–	–	–
Other long term liabilities	–	–	–	810
Loan from a non-controlling shareholder	–	50,000	–	–
At 31 December 2013				
Bank loans	181,144	293,408	365,706	–
Trade and other payables	64,438	–	–	–
Amount due to immediate holding company	568	–	–	–
Loan from the immediate holding company	190,000	–	–	–
Other long term liabilities	–	–	–	835
Loan from a non-controlling shareholder	–	50,000	–	–
At 31 December 2014				
Bank loans	197,906	55,815	534,082	–
Trade and other payables	91,775	–	–	–
Amount due to immediate holding company	531	–	–	–
Loan from the immediate holding company	190,000	–	–	–
Other long term liabilities	–	–	–	832
Loan from a non-controlling shareholder	–	50,000	–	–
At 30 September 2015				
Bank borrowings	46,901	167,302	413,844	–
Trade and other payables	47,010	–	–	–
Amount due to immediate holding company	531	–	–	–
Loan from the immediate holding company	285,000	–	–	–
Other long term liabilities	–	–	1,886	800
Loan from a non-controlling shareholder	–	50,000	–	–

All balance of financial liabilities in Florens as at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively are matured within 1 year.

	Less than 1 year
	US$'000
Florens	
At 31 December 2012	
Other payables and accruals	100
Amounts due to subsidiaries	658,486
At 31 December 2013	
Other payables and accruals	95
Amounts due to subsidiaries	573,560
Amount due to immediate holding company	568
Loan from the immediate holding company	190,000
At 31 December 2014	
Other payables and accruals	95
Amounts due to subsidiaries	371,040
Amount due to immediate holding company	531
Loan from the immediate holding company	190,000
At 30 September 2015	
Other payables and accruals	71
Amounts due to subsidiaries	661,224
Amount due to immediate holding company	531
Loan from the immediate holding company	285,000

4.2 Capital risk management

The Florens Group's objectives when managing capital are to safeguard the Florens Group's ability to continue as a going concern in order to provide returns for the equity holder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Florens Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents) to total equity ratio. The Florens Group aims to maintain a manageable net debt-to-total equity ratio. As at 31 December 2012, 2013 and 2014 and 30 September 2015, the net debt-to-total equity ratio is 95%, 88%, 66% and 70% respectively.

4.3 Fair value estimation

The fair values of the financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Florens Group for similar financial instruments. The carrying amounts of receivables and payables are assumed to approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Florens Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of containers

Management of Florens determines the estimated useful lives of containers by reference to the Florens Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expense will change when useful lives are different from the previous estimates.

Management of Florens determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change where the residual values are different from the previous estimates.

Management of Florens reviewed the residual values and useful lives of property, plant and equipment as at 1 January 2012. The depreciation charge of containers for the year ended 31 December 2012 was calculated based on the revised estimated residual values. This represents a change in an accounting estimate and has been accounted for prospectively. The overall effect of this change is a decrease in depreciation charge by approximately US$4,022,000 and an increase in deferred income tax charge by approximately US$45,000 for the year ended 31 December 2012. There is no revised estimated residual value for the years ended 31 December 2013 and 2014 and for the nine months ended 30 September 2014 and 2015.

If the useful lives of containers differ by 10% from management's estimates as at 31 December 2012, 2013, 2014 and 30 September 2014 and 2015 with all other variables held constant, the estimated depreciation charge for the year/period would be US$15,468,000, US$18,559,000, US$21,108,000, US$15,754,000 and US$17,840,000 higher respectively or US$11,273,000, US$13,293,000, US$14,821,000, US$11,048,000 and US$11,992,000 lower respectively for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

If the residual values of containers differ by 10% from management's estimates as at 31 December 2012, 2013 and 2014 and 30 September 2014 and 2015 with all other variables held constant, the estimated depreciation charge for the year/period would be US$3,646,000, US$4,161,000, US$4,633,000, US$3,446,000 and US$3,833,000 higher or lower respectively for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Any adjustment will result in a change in depreciation charge.

(b) Impairment of containers

Containers represent the Florens Group's major operating assets. The Florens Group tests whether containers have suffered any impairment in accordance with the accounting policy stated in note 3.7.

The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate. There would be no significant impact on the carrying amount of the containers if the estimated pre-tax discount rate applied to the value-in-use calculations differ by 5% from management's estimates.

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 21).

The Florens Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Florens Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

6 REVENUE

The chief operating decision-maker has been identified as the board of directors of Florens. The board of directors reviews the Florens Group's internal reporting in order to assess performance and allocate resources. For the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, the directors of Florens consider that the Florens Group's operations are operated and managed as a single segment, operating of container leasing, management, sale and related businesses, collectively defined as a container related business, so no separate segment information was presented for the Relevant Periods.

Revenue recognised during the year/period is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Operating lease rentals on					
– containers	280,514	290,883	295,774	218,295	217,190
– generator sets and car racks	1,628	1,576	1,427	1,076	1,005
Finance lease income	3,984	4,923	5,724	4,261	4,716
Container management fee income	7,492	7,398	6,377	4,641	3,689
Sales of inventories	42,606	42,967	47,773	41,031	12,728
	336,224	347,747	357,075	269,304	239,328

7 PROPERTY, PLANT AND EQUIPMENT

Florens Group

	Containers	Generator sets	Leasehold land and buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation								
At 1 January 2012	1,765,694	12,488	20,996	123	779	2,221	660	1,802,961
Exchange differences	43	–	–	–	4	3	1	51
Additions	371,668	–	–	–	82	316	–	372,066
Disposals	(21,595)	(549)	–	–	–	(127)	–	(22,271)
Transfer to inventories	(41,921)	–	–	–	–	–	–	(41,921)
At 31 December 2012	2,073,889	11,939	20,996	123	865	2,413	661	2,110,886
Accumulated depreciation and impairment losses								
At 1 January 2012	347,926	5,482	5,213	88	530	1,475	492	361,206
Exchange differences	9	–	–	–	3	3	–	15
Impairment loss for the year	375	–	–	–	–	–	–	375
Depreciation charge for the year	102,407	924	335	5	101	212	38	104,022
Disposals	(14,881)	(343)	–	–	–	(127)	–	(15,351)
Transfer to inventories	(27,282)	–	–	–	–	–	–	(27,282)
At 31 December 2012	408,554	6,063	5,548	93	634	1,563	530	422,985
Net book value								
At 31 December 2012	1,665,335	5,876	15,448	30	231	850	131	1,687,901
Cost or valuation								
At 1 January 2013	2,073,889	11,939	20,996	123	865	2,413	661	2,110,886
Exchange differences	546	–	–	–	6	5	5	562
Additions	288,754	–	–	–	–	113	–	288,867
Disposals	(53,180)	(192)	–	–	–	(357)	(51)	(53,780)
Transfer to inventories	(71,090)	–	–	–	–	–	–	(71,090)
At 31 December 2013	2,238,919	11,747	20,996	123	871	2,174	615	2,275,445
Accumulated depreciation and impairment losses								
At 1 January 2013	408,554	6,063	5,548	93	634	1,563	530	422,985
Exchange differences	99	–	–	–	5	(4)	4	104
Depreciation charge for the year	110,507	904	181	5	73	228	34	111,932
Disposals	(2,699)	(95)	–	–	–	(357)	(42)	(3,193)
Transfer to inventories	(43,733)	–	–	–	–	–	–	(43,733)
At 31 December 2013	472,728	6,872	5,729	98	712	1,430	526	488,095
Net book value								
At 31 December 2013	1,766,191	4,875	15,267	25	159	744	89	1,787,350

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost or valuation								
At 1 January 2014	2,238,919	11,747	20,996	123	871	2,174	615	2,275,445
Exchange differences	(65)	–	–	–	(10)	(13)	(1)	(89)
Additions	305,803	–	–	–	1	52	–	305,856
Disposals	(250,856)	(2,404)	–	–	(102)	(328)	(85)	(253,775)
Transfer to inventories	(105,042)	–	–	–	–	–	–	(105,042)
Transfer to investment properties *(note d)*	–	–	(1,022)	–	–	–	–	(1,022)
At 31 December 2014	2,188,759	9,343	19,974	123	760	1,885	529	2,221,373
Accumulated depreciation and impairment losses								
At 1 January 2014	472,728	6,872	5,729	98	712	1,430	526	488,095
Exchange differences	(9)	–	–	–	(9)	(10)	(1)	(29)
Depreciation charge for the year	124,329	746	149	5	61	249	27	125,566
Disposals	(58,238)	(1,710)	–	–	(76)	(327)	(48)	(60,399)
Transfer to inventories	(52,727)	–	–	–	–	–	–	(52,727)
Transfer to investment properties *(note d)*	–	–	(392)	–	–	–	–	(392)
At 31 December 2014	486,083	5,908	5,486	103	688	1,342	504	500,114
Net book value								
At 31 December 2014	1,702,676	3,435	14,488	20	72	543	25	1,721,259
Cost or valuation								
At 1 January 2015	2,188,759	9,343	19,974	123	760	1,885	529	2,221,373
Exchange differences	(752)	–	–	–	(8)	(21)	(8)	(789)
Additions	204,280	723	–	–	–	11	–	205,014
Disposals	(3,384)	(880)	–	–	(107)	(66)	–	(4,437)
Transfer to inventories	(8,720)	–	–	–	–	–	–	(8,720)
At 30 September 2015	2,380,183	9,186	19,974	123	645	1,809	521	2,412,441
Accumulated depreciation and impairment losses								
At 1 January 2015	486,083	5,908	5,486	103	688	1,342	504	500,114
Exchange differences	(233)	–	–	–	(6)	(13)	(7)	(259)
Depreciation charge for the period	91,943	514	105	4	24	129	13	92,732
Disposals	(2,007)	(508)	–	–	(88)	(66)	–	(2,669)
Transfer to inventories	(5,881)	–	–	–	–	–	–	(5,881)
At 30 September 2015	569,905	5,914	5,591	107	618	1,392	510	584,037
Net book value								
At 30 September 2015	1,810,278	3,272	14,383	16	27	417	11	1,828,404

	Containers	Generator sets	Leasehold land and buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation								
At 1 January 2014	2,238,919	11,747	20,996	123	871	2,174	615	2,275,445
Exchange differences	(198)	–	–	–	(1)	(5)	(2)	(206)
Additions	245,420	–	–	–	1	27	–	245,448
Disposals	(236,185)	(2,404)	–	–	(54)	(52)	(85)	(238,780)
Transfer to investment properties *(note d)*	–	–	–	–	–	(6)	–	(6)
At 30 September 2014 (unaudited)	2,247,956	9,343	20,996	123	817	2,138	528	2,281,901
Accumulated depreciation and impairment losses								
At 1 January 2014	472,728	6,872	5,729	98	712	1,430	526	488,095
Exchange differences	(43)	–	–	–	(2)	(1)	(2)	(48)
Depreciation charge for the period	91,741	569	112	4	48	163	23	92,660
Disposals	(84,931)	(1,710)	–	–	(39)	(52)	(48)	(86,780)
Transfer to investment properties *(note d)*	–	–	–	–	–	(6)	–	(6)
At 30 September 2014 (unaudited)	479,495	5,731	5,841	102	719	1,534	499	493,921
Net book value								
At 30 September 2014 (unaudited)	1,768,461	3,612	15,155	21	98	604	29	1,787,980

Notes:

(a) As at 31 December 2012, 2013 and 2014 and 30 September 2015, the aggregate cost of the leased assets of the Florens Group (where the Florens Group is a lessor) which comprised containers, generator sets and car racks and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,844,221,000, US$2,114,777,000, US$2,094,983,000 and US$2,220,673,000 respectively while accumulated depreciation amounted to US$ US$413,486,000, US$479,634,000, US$492,039,000, and US$575,874,000 respectively.

(b) As at 31 December 2012, 2013 and 2014 and 30 September 2015, the accumulated impairment losses of property, plant and equipment of the Florens Group amounted to US$3,778,000, US$2,627,000, US$2,627,000 and US$2,627,000 respectively.

(c) During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, the Florens Group transferred containers to inventories with aggregated net book values of US$14,639,000, US$27,537,000, US$52,315,000 and US$2,839,000 respectively.

(d) In 2014, the Florens Group transferred certain properties from own use to investment properties upon the commencement of lease agreements with third parties.

8 INVESTMENT PROPERTIES

	Florens Group				
	31 December			30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
At beginning of the year/period	883	817	751	751	1,315
Transfer from property, plant and equipment *(note 7)*	–	–	630	–	–
Depreciation	(66)	(66)	(66)	(49)	(57)
At end of the year/period	817	751	1,315	702	1,258

Note:

(a) The fair value of the investment properties as at 31 December 2012, 2013 and 2014 and 30 September 2015 was US$1,881,000, US$2,245,000, US$3,681,000 and US$3,681,000. The fair value is estimated by management or independent professional property valuers. The investment properties as at 31 December 2014 and 30 September 2015 were estimated based on open market value method by Roma Appraisals Limited (as at 31 December 2012 and 2013: Jones Lang Lasalle Sallmanns Limited), an independent professional property valuer who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the investment properties valued. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued.

9 LAND USE RIGHTS

	Florens Group				
	31 December			30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
At beginning of the year/period	121	116	111	111	106
Amortisation	(5)	(5)	(5)	(4)	(3)
At end of the year/period	116	111	106	107	103

10 INTANGIBLE ASSETS

Florens Group

	Computer software					Computer systems under development					Total				
	31 December			30 September		31 December			30 September		31 December			30 September	
	2012	2013	2014	2014	2015	2012	2013	2014	2014	2015	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* (*unaudited*)	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000* (*unaudited*)	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000* (*unaudited*)	*US$'000*
Cost															
At beginning of the year/period	13,781	14,420	14,919	14,919	16,450	1,223	1,301	1,528	1,528	–	15,004	15,721	16,447	16,447	16,450
Exchange differences	1	1	–	–	(1)	–	–	–	–	–	1	1	–	–	(1)
Additions	73	140	6	6	–	673	670	–	–	–	746	810	6	6	–
Write-off	(30)	(85)	(3)	(3)	(4)	–	–	–	–	–	(30)	(85)	(3)	(3)	(4)
Transfer	595	443	1,528	–	–	(595)	(443)	(1,528)	–	–	–	–	–	–	–
At end of the year/period	14,420	14,919	16,450	14,922	16,445	1,301	1,528	–	1,528	–	15,721	16,447	16,450	16,450	16,445
Accumulated amortisation															
At beginning of the year/period	10,434	11,457	12,549	12,549	13,725	–	–	–	–	–	10,434	11,457	12,549	12,549	13,725
Exchange differences	–	1	–	–	(1)	–	–	–	–	–	–	1	–	–	(1)
Amortisation for the year/period	1,053	1,176	1,179	683	803	–	–	–	–	–	1,053	1,176	1,179	683	803
Write-off	(30)	(85)	(3)	(3)	(4)	–	–	–	–	–	(30)	(85)	(3)	(3)	(4)
At end of the year/period	11,457	12,549	13,725	13,229	14,523	–	–	–	–	–	11,457	12,549	13,725	13,229	14,523
Net book value															
At end of the year/period	2,963	2,370	2,725	1,693	1,922	1,301	1,528	–	1,528	–	4,264	3,898	2,725	3,221	1,922

11 SUBSIDIARIES

	Florens			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted investments	188,554	188,554	188,554	188,554

Details of the subsidiaries as at 31 December 2012, 2013 and 2014 and 30 September 2015 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid up capital	Florens' effective equity interest			
						31 December			30 September
						2012	2013	2014	2015
1, 9	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	HK$500,000 divided into 5,000 ordinary shares	100%	100%	100%	100%
4	Famous International Limited	The British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	100%	100%	100%	100%
1, 2	Florens (China) Company Limited* (佛羅倫(中國)有限公司)	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	100%	100%	100%	100%
4, 5	Florens (Tianjin) Finance Leasing Co., Ltd.* (佛羅倫(天津)融資租賃有限公司)	PRC	PRC	Finance leasing	US$50,000,000	50%	50%	50%	50%
1, 5, 9	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000 divided into 2,000 ordinary shares	50%	50%	50%	50%
1, 9	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	100%	100%	100%	100%
1, 9	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	100%	100%	100%	100%
4	Florens Container Inc.	The United States of America	The United States of America	Investment holding and container leasing	1 ordinary share of US$1	100%	100%	100%	100%
8, 9	Florens Container, Inc. (1998)	The United States of America	The United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100%	100%	100%	100%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid up capital	Florens' effective equity interest 31 December 2012	2013	2014	30 September 2015
8, 9	Florens Container Inc. (1999)	The United States of America	The United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	100%	100%	100%	–
8, 9	Florens Container, Inc. (2000)	The United States of America	The United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	100%	100%	100%	–
8, 9	Florens Container, Inc. (2001)	The United States of America	The United States of America	Container leasing	1 ordinary share of US$1	100%	100%	100%	–
9	Florens Container, Inc. (2002)	The United States of America	The United States of America	Sale of old containers	1 ordinary share of US$1	100%	100%	100%	100%
9	Florens Container, Inc. (2003)	The United States of America	The United States of America	Sale of old containers	1 ordinary share of US$1	100%	100%	100%	100%
1, 9	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	HK$100 divided into 100 ordinary shares	100%	100%	100%	100%
4	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	100%	100%	100%	100%
4	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of EURO 12,782.30 each	100%	100%	100%	100%
4	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of EURO0.52 each	100%	100%	100%	100%
4, 6	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	100%	100%	–	–
2	Florens Container Services (Shenzhen) Co., Ltd.* (佛羅倫集裝箱服務(深圳)有限公司)	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	100%	100%	100%	100%
7	Florens Container Services (Singapore) Pte. Ltd.	Singapore	Singapore	Provision of container management services	1,000 ordinary shares of SGD1 each	–	–	100%	100%
3	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	100%	100%	100%	100%

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/paid up capital	Florens' effective equity interest			
						31 December			30 September
						2012	2013	2014	2015
9	Florens Container Services (USA), Ltd.	The United States of America	The United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	100%	100%	100%	100%
1, 9	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	100%	100%	100%	100%
1, 9	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100%	100%	100%	100%
1, 9	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	100%	100%	100%	100%

1 Shares were held directly by Florens.

2 The statutory financial statements of Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd and Florens Container Services (Shenzhen) Co., Ltd for each of the years ended 31 December 2012, 2013 and 2014 were audited by Ruihua Certified Public Accountants* (瑞華會計師事務所).

3 The statutory financial statements of Florens Container Services (UK) Limited for each of the years ended 31 December 2012, 2013 and 2014 were audited by Hacker Young Chartered Accountants.

4 No audited financial statements have been prepared for these subsidiaries as these companies are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

5 The directors of Florens considered that it remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") therefore FCMCL and FFLTJ accounted for as subsidiaries of Florens.

6 Subsidiary was dissolved during the year ended 31 December 2014.

7 No audited financial statements for the year ended 31 December 2014 have been issued up to the date of this report as the subsidiary was newly incorporated.

8 Subsidiary was merged to Florens Container, Inc. (1998) during the nine months ended 30 September 2015.

9 The statutory financial statements of each of these companies for the years ended 31 December 2012, 2013 and 2014 were audited by PricewaterhouseCoopers.

* The English names of certain auditors and companies referred to above represented the best efforts by management of Florens in translating their Chinese name as they do not have official English names.

12 FINANCE LEASE RECEIVABLES

Florens Group

	31 December 2012				31 December 2013			31 December 2014			30 September 2015		
	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivables US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000
Amounts receivable under finance leases:													
Current portion *(note 15)*	12,351	(4,317)	(37)	7,997	13,687	(4,260)	9,427	18,022	(4,539)	13,483	22,276	(4,770)	17,506
Non-current portion													
– later than one year and not later than five years	48,029	(11,609)	–	36,420	52,967	(10,542)	42,425	67,825	(9,541)	58,284	80,513	(7,594)	72,919
– later than five years	28,478	(2,396)	–	26,082	19,678	(1,226)	18,452	8,384	(325)	8,059	2,967	(92)	2,875
	76,507	(14,005)	–	62,502	72,645	(11,768)	60,877	76,209	(9,866)	66,343	83,480	(7,686)	75,794
	88,858	(18,322)	(37)	70,499	86,332	(16,028)	70,304	94,231	(14,405)	79,826	105,756	(12,456)	93,300

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Florens Group entered into 23, 22, 29 and 33 finance lease contracts for leasing of certain containers, terminal equipment and a vessel respectively. The average lease period of the finance lease contracts is 6 years, 7 years, 7 years and 6 years respectively.

The cost of assets acquired for the purpose of letting under finance leases amounted to US$82,666,000, US$89,322,000, US$116,522,000 and US$141,096,000 respectively as at 31 December 2012, 2013 and 2014 and 30 September 2015.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$19,000, US$21,000, US$65,000 and US$66,000 respectively.

13 OTHER NON-CURRENT ASSETS

Other non-current assets of the Florens Group mainly represent prepaid operating lease payments arising from an operating lease agreement signed with the lessor for a term of 5 years since 21 April 2011. The accumulated amounts received by the lessor net of operating lease payments will be released from the lessor to the Florens Group at the end of the lease term.

14 INVENTORIES

Inventories of the Florens Group mainly included containers held for sale transferred from property, plant and equipment at their carrying amounts. For the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, a provision of US$Nil, US$1,792,000, US$7,568,000, US$482,000 and US$Nil, respectively, was made by the Florens Group.

15 TRADE AND OTHER RECEIVABLES

	Florens Group			
	31 December			**30 September**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables				
– third parties	31,951	30,582	26,364	28,082
– fellow subsidiaries *(notes a and b)*	23,559	24,685	32,740	25,402
– a related company *(note a)*	5	1	1	–
	55,515	55,268	59,105	53,484
Less: provision for impairment *(notes d and e)*	(2,412)	(3,879)	(4,171)	(2,547)
	53,103	51,389	54,934	50,937
Other receivables, deposits and prepayments	1,778	1,612	1,110	1,087
Prepaid for operating lease payments	–	–	–	39,546
Current portion of finance lease receivables *(note 12)*	7,997	9,427	13,483	17,506
Current portion of amortised agency fee	16	17	17	16
Amounts due from fellow subsidiaries *(note a)*	5,834	7,296	12,629	10,658
	68,728	69,741	82,173	119,750

Notes:

(a) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(b) As at 31 December 2012, 2013 and 2014 and 30 September 2015, the balance mainly represented container leasing income receivables from fellow subsidiaries and included a receivable balance from COSCON of US$23,553,000, US$24,681,000, US$32,686,000 and US$25,324,000 respectively. For the years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2014 and 2015, the container leasing income from COSCON amounted to US$139,113,000, US$153,440,000, US$172,883,000, US$125,636,000 and US$129,961,000 respectively while the container leasing income from the other fellow subsidiaries amounted to US$8,000, US$18,000, US$191,000, US$136,000 and US$196,000 respectively.

(c) The carrying amounts of trade and other receivables approximate their fair values.

At 31 December 2012, 2013 and 2014 and 30 September 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	25,735	25,814	27,240	23,640
31 – 60 days	22,672	22,953	26,894	23,458
61 – 90 days	5,258	3,629	2,508	4,385
Over 90 days	1,850	2,872	2,463	2,001
	55,515	55,268	59,105	53,484

(d) As at 31 December 2012, 2013 and 2014 and 30 September 2015, trade receivables of US$33,236,000, US$31,952,000, US$51,545,000 and US$43,258,000 respectively were fully performing.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, trade receivables of US$19,867,000, US$19,437,000, US$3,389,000 and US$7,679,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	17,458	17,569	2,882	7,149
31 – 60 days	1,968	1,200	384	382
61 – 90 days	347	336	59	120
Over 90 days	94	332	64	28
	19,867	19,437	3,389	7,679

As at 31 December 2012, 2013 and 2014 and 30 September 2015, trade receivables of US$2,412,000, US$3,879,000, US$4,171,000 and US$2,547,000 respectively were impaired. The amount of the provision was US$2,412,000, US$3,879,000, US$4,171,000 and US$2,547,000 respectively as at 31 December 2012, 2013 and 2014 and 30 September 2015. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	713	701	657	211
31 – 60 days	691	670	638	239
61 – 90 days	38	511	541	266
Over 90 days	970	1,997	2,335	1,831
	2,412	3,879	4,171	2,547

(e) Movements on the provision for impairment of trade receivables are as follows:

	31 December 2012	31 December 2013	31 December 2014	30 September 2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	2,786	2,412	3,879	4,171
Exchange differences	3	11	1	(45)
Provision for impairment of trade receivables *(note 29)*	892	3,064	1,045	471
Write back of provision for impairment of trade receivables *(note 29)*	(1,246)	(1,491)	(754)	(1,709)
Receivables written off during the year as uncollectible	(23)	(117)	–	(341)
At end of the year/period	2,412	3,879	4,171	2,547

(f) The carrying amounts of trade and other receivables are denominated in the following currencies:

	31 December 2012	31 December 2013	31 December 2014	30 September 2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
US dollar	52,908	51,227	58,108	94,228
Renminbi	14,033	16,670	22,450	24,376
Other currencies	1,787	1,844	1,615	1,146
	68,728	69,741	82,173	119,750

(g) The fair value of each category of receivables mentioned above represent the maximum exposure to credit risk at each of the reporting dates.

16 FINANCIAL INSTRUMENTS BY CATEGORY – FLORENS GROUP AND FLORENS

	Florens Group				Florens			
	As at 31 December			30 September	As at 31 December			30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets as per balance sheet								
Loans and Receivables								
Trade and other receivables excluding prepayments	90,200	82,284	88,449	79,107	–	–	–	–
Finance lease receivables (current and non-current portions)	70,499	70,304	79,826	93,300	–	–	–	–
Loan to a subsidiary	–	–	–	–	50,000	50,000	50,000	51,453
Amounts due from subsidiaries	–	–	–	–	599,183	705,405	502,962	886,580
Amount due from immediate holding company	396	–	–	–	396	–	–	–
Cash and cash equivalents	190,615	149,722	253,181	108,227	–	20	9	3
	351,710	302,310	421,456	280,634	649,579	755,425	552,971	938,036

	Florens Group				Florens			
	31 December			30 September	31 December			30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Liabilities as per balance sheet								
Other financial liabilities at amortised cost								
Bank loans	1,019,211	794,714	741,073	589,486	–	–	–	–
Amount due to immediate holding company	–	568	531	531	–	568	531	531
Amounts due to subsidiaries	–	–	–	–	658,486	573,560	371,040	661,224
Loan from immediate holding company	–	190,000	190,000	285,000	–	190,000	190,000	285,000
Loan from a non-controlling shareholder	50,000	50,000	50,000	50,000	–	–	–	–
Other long term liabilities	810	835	832	2,686	–	–	–	–
Trade and other payables excluding receipt in advance	61,496	82,558	106,503	60,287	100	95	95	71
	1,131,517	1,118,675	1,088,939	987,990	658,586	764,223	561,666	946,826

17 AMOUNTS DUE FROM SUBSIDIARIES

	Florens			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	US$'000	US$'000	US$'000
Amounts due from subsidiaries	606,137	712,359	509,916	893,534
Less: provision for impairment *(note a)*	(6,954)	(6,954)	(6,954)	(6,954)
	599,183	705,405	502,962	886,580

Notes:

(a) The provision was made by Florens on behalf of a subsidiary for amounts due from certain other subsidiaries of Florens to that subsidiary.

(b) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

18 SHARE CAPITAL

Florens Group and Florens	31 December			30 September
	2012	2013	2014	2015
	US$'000	US$'000	US$'000	US$'000
Issued and fully paid:				
22,014 ordinary shares of US$1 each	22	22	22	22

19 RESERVES

Florens

	Contributed surplus *US$'000*	Retained profits *US$'000*	Total reserves *US$'000*
At 1 January 2012	125,781	53,545	179,326
Profit for the year	–	55,999	55,999
Dividends *(note 32)*	–	(55,800)	(55,800)
At 31 December 2012	125,781	53,744	179,525
At 1 January 2013	125,781	53,744	179,525
Profit for the year	–	50,809	50,809
Dividends *(note 32)*	–	(50,600)	(50,600)
At 31 December 2013	125,781	53,953	179,734
At 1 January 2014	125,781	53,953	179,734
Profit for the year	–	103	103
At 31 December 2014	125,781	54,056	179,837
At 1 January 2015	125,781	54,056	179,837
Loss for the period	–	(95)	(95)
At 30 September 2015	125,781	53,961	179,742

Note:

(a) The contributed surplus of Florens represents the difference between the nominal value of Florens' shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired pursuant to a group reorganisation completed in 1998. Under the BVI International Business Companies Act 1984, the contributed surplus is distributable to Florens' shareholder.

20 LONG TERM BANK LOANS

	Florens Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unsecured	1,019,211	794,714	741,073	589,486
Amounts due within one year included under current liabilities	(325,470)	(164,023)	(181,721)	(31,996)
	693,741	630,691	559,352	557,490

Notes:

(a) The maturity of the bank loans is as follows:

	Florens Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	325,470	164,023	181,721	31,996
Between one and two years	163,300	280,493	41,491	155,030
Between two and five years	530,441	350,198	517,861	402,460
	1,019,211	794,714	741,073	589,486

(b) The bank loans were denominated in US dollar and guaranteed by immediate holding company.

(c) The effective interest rates per annum at each of the balance sheet dates were as follows:

	Florens Group			
	31 December			30 September
	2012	2013	2014	2015
Bank loans	1.79%	2.26%	2.55%	2.59%

(d) The carrying amounts and fair values of the bank loans are as follows:

	Carrying amounts				Fair values			
	31 December			30 September	31 December			30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Bank loans	1,019,211	794,714	741,073	589,486	1,019,083	793,292	739,531	586,727

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the fair values are determined based on cash flows discounted using a weighted average borrowing rate of 1.8%, 2.3%, 2.6% and 2.6% per annum, respectively.

21 DEFERRED INCOME TAX

The deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by each of the balance sheet dates.

The movements on the net deferred income tax (liabilities)/assets during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 are as follows:

	Florens Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	(958)	(275)	(65)	603
Exchange differences	–	3	–	(11)
Charged to consolidated income statement *(note 31)*	683	207	668	309
At end of the year/period	(275)	(65)	603	901

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Florens Group has unrecognised tax losses of US$2,600,000, US$2,742,000, US$2,884,000 and US$2,884,000 respectively which have no expiry date, to carry forward.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, deferred income tax liabilities of US$5,963,000, US$7,443,000, US$8,295,000 and US$9,143,000 respectively have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totalling US$32,100,000, US$43,420,000, US$50,374,000 and US$57,701,000 respectively as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years ended 31 December 2012, 2013 and 2014 and the nine month ended 30 September 2015, are as follows:

Deferred income tax liabilities

	Florens Group Accelerated tax depreciation			
	31 December			**30 September**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	2,761	2,158	2,000	1,503
Charged to consolidated income statement	(603)	(158)	(497)	(320)
At end of the year/period	2,158	2,000	1,503	1,183

Deferred income tax assets

	Florens Group Others			
	31 December			**30 September**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	1,803	1,883	1,935	2,106
Exchange differences	–	3	–	(11)
Credited to consolidated income statement	80	49	171	(11)
At end of the year/period	1,883	1,935	2,106	2,084

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Target Group			
	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred income tax liabilities	2,146	1,985	1,502	1,189
Deferred income tax assets	1,871	1,920	2,105	2,090

As at 31 December 2012 and 2013, the Florens Group's deferred income tax liabilities to be settled after more than 12 months amounted to US$253,000 and US$39,000 respectively. As at 31 December 2014 and 30 September 2015, the Florens Group's deferred income tax assets to be utilized after more than 12 months amounted to US$628,000 and US$926,000.

As at 31 December 2012, 2013 and 2014 and 30 September 2015 and, Florens did not have significant deferred income tax assets and liabilities.

22 TRADE AND OTHER PAYABLES

	Florens Group				Florens			
	31 December			30 September	31 December			30 September
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables								
– third parties	969	11,391	8,474	2,556	–	–	–	–
– fellow subsidiaries *(note a)*	69	191	65	92	–	–	–	–
– associates of immediate holding company *(note a)*	34	–	–	–	–	–	–	–
– related companies *(note a)*	5	23,614	52,720	20,237	–	–	–	–
	1,077	35,196	61,259	22,885	–	–	–	–
Other payables and accruals	27,907	25,491	27,156	23,678	100	95	95	71
Payable to owners of containers under the Florens Group's management *(note b)*	7,060	3,556	3,322	363	–	–	–	–
Amounts due to								
– fellow subsidiaries *(note a)*	112	190	26	79	–	–	–	–
– related companies *(note a)*	3	5	12	5	–	–	–	–
	36,159	64,438	91,775	47,010	100	95	95	71

Notes:

(a) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances is repayable on demand.

(b) The balance represented the rental income of the containers under the Florens Group's management collected, net of the direct operating expenses of the containers under the Florens Group's management paid by the Florens Group on behalf of third parties and the management fee income entitled by the Florens Group.

(c) The carrying amounts of trade and other payables are denominated in the following currencies:

	Florens Group				Florens			
	31 December			30 September	31 December			30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
US dollar	34,571	62,297	90,088	45,263	100	95	95	71
Other currencies	1,588	2,141	1,687	1,747	–	–	–	–
	36,159	64,438	91,775	47,010	100	95	95	71

(d) The carrying amounts of trade and other payables approximate their fair values.

(e) At 31 December 2012, 2013 and 2014 and 30 September 2015, the ageing analysis of the trade payables (including due to related parties of trading in nature) based on the invoice date were are follows:

	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	229	12,380	40,431	4,949
31 – 60 days	815	22,803	3,023	17,336
61 – 90 days	33	13	17,804	598
Over 90 days	–	–	1	2
	1,077	35,196	61,259	22,885

23 LOAN FROM A NON-CONTROLLING SHAREHOLDER

Loan from a non-controlling shareholder is unsecured, interest-free and is denominated in US dollar. The non-controlling shareholder has confirmed not to demand repayment of the loan for the next twelve months.

24 AMOUNTS WITH IMMEDIATE HOLDING COMPANY AND SUBSIDIARIES

Amounts with immediate holding company and subsidiaries are unsecured, interest free and repayable on demand.

25 LOAN FROM IMMEDIATE HOLDING COMPANY

Loan from immediate holding company is unsecured, interest-free, denominated in US dollar and is repayable on demand.

26 LOAN TO A SUBSIDIARY

Loan to a subsidiary is unsecured, interest-free, denominated in US dollar and is not repayable within the next twelve months.

27 OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Nomination fee income	558	1,368	570	570	441
Repositioning fee income	–	–	–	–	3,583
Others	691	560	455	57	394
	1,249	1,928	1,025	627	4,418

28 OTHER (LOSS)/GAIN, NET

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
(Loss)/gain on disposal of property, plant and equipment, net *(note a)*	(318)	438	7,226	8,319	966
Exchange (loss)/gain, net	(226)	845	(451)	(747)	(48)
Impairment loss of containers	(374)	–	–	–	–
Provision for inventories	–	(1,792)	(7,568)	(482)	–
Others	–	–	29	–	(10)
	(918)	(509)	(764)	7,090	908

Note:

(a) During 2014, the Florens Group disposed of containers included under property, plant and equipment with aggregate net book value of approximately US$99,645,000, at consideration of US$107,245,000. The gain on disposal before income taxes amounted to approximately US$7,600,000.

29 COSTS AND EXPENSES BY NATURE

Costs of sales, and administrative expenses are analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Cost of sales					
Cost of inventories sold *(note b)*	17,023	20,165	40,848	34,197	10,511
Depreciation of					
– owned property, plant and equipment leased out under operating leases	103,345	111,424	125,089	92,321	92,468
Rental expense under operating leases of					
– containers leased from third parties	29,498	30,462	33,048	24,362	32,469
Others cost of sales	1,792	7,938	9,955	6,276	4,646
	151,658	169,989	208,940	157,156	140,094
Administrative expenses					
Staff costs (including directors' emoluments) *(note 34 and 40)*	13,759	13,750	14,302	9,703	9,941
Amortisation of					
– land use rights	5	5	5	3	3
– intangible assets *(note a)*	1,053	1,176	1,179	683	803
Auditors' remuneration					
– current year	505	509	517	381	358
– over provision in prior year	–	(5)	–	–	–
Depreciation of					
– other owned property, plant and equipment	677	508	477	339	264
– investment property	66	66	66	49	57
(Write back of)/provision for impairment of trade receivables *(note 15)*	(354)	1,573	291	(47)	(1,238)
Bad debt recovered	(35)	(76)	–	–	(2,045)
Write back of provision for impairment of finance lease receivables *(note 12)*	(108)	(37)	–	–	–
Rental expense under operating leases of					
– buildings leased from third parties	870	896	875	666	755
– plant and equipment leased from third parties	58	58	57	42	34
Other administrative expenses	11,534	8,867	8,305	6,169	5,494
	28,030	27,290	26,074	17,988	14,426

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) Cost of inventories sold is included in cost of sales. The related proceeds from sale have been included in revenue in the consolidated income statement (note 6).

30 FINANCE INCOME AND COSTS

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Finance income					
Interest income on bank balances and deposits	885	452	874	574	665
Finance costs					
Interest expense and transaction cost on bank loans	(14,674)	(22,121)	(22,645)	(16,731)	(15,868)
Other incidental borrowing costs and charges	(43)	(29)	(137)	(136)	(119)
	(14,717)	(22,150)	(22,782)	(16,867)	(15,987)
Net finance costs	(13,832)	(21,698)	(21,908)	(16,293)	(15,322)

31 INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Current income tax					
– Hong Kong profits tax	62	83	103	–	–
– China mainland taxation	1,274	1,483	1,380	1,065	1,214
– Overseas taxation	1,884	1,792	1,948	1,550	1,192
– Under/(over) provision in prior year/period	10	(23)	(24)	–	–
	3,230	3,335	3,407	2,615	2,406
Deferred income tax *(note 21)*	(683)	(207)	(668)	(430)	(309)
	2,547	3,128	2,739	2,185	2,097

For the years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2014 and 2015, Hong Kong profits tax and the PRC profits tax were provided at a rate of 16.5% and 25% respectively on the estimated assessable profit for the relevant year/period. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Florens Group operates.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit before income tax	143,035	130,189	100,414	85,584	74,812
Aggregate tax at domestic rates applicable to profits in respective territories concerned	2,996	3,744	2,721	2,192	2,129
Income not subject to income tax	(507)	(608)	(80)	(14)	(49)
Expenses not deductible for income tax purposes	29	22	18	68	10
Tax losses not recognised	71	76	104	47	36
Over provision in prior year/period	10	(23)	(24)	–	–
Others	(52)	(83)	–	(108)	(29)
Income tax expenses	2,547	3,128	2,739	2,185	2,097

There was no income tax relating to components of other comprehensive income for the Relevant Periods.

32 DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
First interim 2012, 2013, 2014 and 2015, paid, of US$1,317.3, US$1,435.5, US$Nil and US$Nil, respectively, per share	29,000	31,600	–	–	–
Second interim 2012, 2013, 2014 and 2015, paid, of US$1,217.4, US$863.1, US$Nil and US$Nil, respectively, per share	26,800	19,000	–	–	–
	55,800	50,600	–	–	–

33 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

34 STAFF COSTS

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Salaries	9,549	10,133	10,553	7,409	7,714
Retirement benefit costs	968	1,006	1,037	732	783
Other staff benefits	3,308	2,702	2,712	1,562	1,444
	13,825	13,841	14,302	9,703	9,941
Less: Amounts capitalised in intangible assets	(66)	(91)	–	–	–
	13,759	13,750	14,302	9,703	9,941

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Florens Group for the year ended 31 December 2012, 2013 and 2014 and the 9 months ended 30 September 2014 and 2015 include two, two, one, one and one directors whose emoluments are reflected in the analysis presented in Note 40. The emoluments payable to the remaining three, three, four, four and four individuals during the year are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Salaries	728	595	767	572	572
Retirement benefit costs	21	53	54	41	45
Other staff benefits	173	221	224	219	260
	922	869	1,045	832	877

The emoluments fell within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014 (unaudited)	2015
Emolument bands					
US$129,031 – US$193,547 (HK$1,000,001 – HK$1,500,000)	–	–	–	1	1
US$193,548 – US$258,063 (HK$1,500,001 – HK$2,000,000)	–	–	1	3	2
US$258,064 – 322,579 (HK$2,000,001 – HK$2,500,000	2	3	3	–	1
US$322,580 – US$387,094 (HK$2,500,001 – HK$3,000,000)	1	–	–	–	–
	3	3	4	4	4

35 EQUITY COMPENSATION BENEFITS

Share options of COSCO Pacific were granted to certain directors and continuous contract employees of Florens. Movement of these share options during the Relevant Periods is as follows:

For the year ended 31 December 2012:

Category	Note	Exercise price HK$	Outstanding at 1 January 2012	Transfer (to)/from other category during the year	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2012	Date of grant/date of acceptance by grantee
			Number of share options						
Directors	*(i), (iv), (v)*	9.54	550,000	800,000	–	–	–	1,350,000	28 October 2003 to 30 October 2003
	(ii), (iv), (v)	13.75	1,360,000	1,000,000	–	–	–	2,360,000	29 November 2004 to 16 December 2004
	(iii), (iv), (v)	19.30	1,800,000	500,000	–	–	–	2,300,000	18 April 2007 to 19 April 2007
			3,710,000	2,300,000	–	–	–	6,010,000	
Ex-directors	*(ii), (iv), (v)*	13.75	150,000	–	–	–	–	150,000	29 November 2004
	(iii), (iv), (v)	19.30	1,100,000	–	–	–	–	1,100,000	18 April 2007 to 19 April 2007
			1,250,000	–	–	–	–	1,250,000	
Continuous Contract employees	*(i), (iv), (v)*	9.54	921,000	–	–	(130,000)	–	791,000	28 October 2003 to 31 October 2003
	(ii), (iv), (v)	13.75	6,430,000	–	–	(1,264,000)	–	5,166,000	26 November 2004 to 30 November 2004
	(iii), (iv), (v)	19.30	4,360,000	60,000	–	(650,000)	–	3,770,000	17 April 2007 to 19 April 2007
			11,711,000	60,000	–	(2,044,000)	–	9,727,000	
			16,671,000	2,360,000	–	(2,044,000)	–	16,987,000	

For the year ended 31 December 2013:

			Number of share options						
Category	*Note*	**Exercise price** *HK$*	**Outstanding at 1 January 2013**	**Transfer (to)/from other category during the year**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2013**	**Date of grant/date of acceptance by grantee**
Directors	*(i), (iv), (vi)*	9.54	1,350,000	–	–	–	(1,350,000)	–	28 October 2003 to 30 October 2003
	(ii), (iv), (vi)	13.75	2,360,000	–	–	–	–	2,360,000	29 November 2004 to 16 December 2004
	(iii), (iv), (vi)	19.30	2,300,000	–	–	–	–	2,300,000	18 April 2007 to 19 April 2007
			6,010,000	–	–	–	(1,350,000)	4,660,000	
Ex-directors	*(ii), (iv), (vi)*	13.75	150,000	–	–	–	–	150,000	29 November 2004
	(iii), (iv),(vi)	19.30	1,100,000	–	–	–	–	1,100,000	18 April 2007 to 19 April 2007
			1,250,000	–	–	–	–	1,250,000	
Continuous contract employees	*(i), (iv), (vi)*	9.54	791,000	–	–	(280,000)	(511,000)	–	28 October 2003 to 31 October 2003
	(ii), (iv), (vi)	13.75	5,166,000	–	–	(62,000)	–	5,104,000	26 November 2004 to 30 November 2004
	(iii), (iv), (vi)	19.30	3,770,000	–	–	(30,000)	–	3,740,000	17 April 2007 to 19 April 2007
			9,727,000	–	–	(372,000)	(511,000)	8,844,000	
			16,987,000	–	–	(372,000)	(1,861,000)	14,754,000	

For the year ended 31 December 2014:

			Number of share options						
Category	*Note*	**Exercise price** *HK$*	**Outstanding at 1 January 2014**	**Transfer (to)/from other category during the year**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2014**	**Date of grant/date of acceptance by grantee**
Directors	*(ii), (iv), (vii)*	13.75	2,360,000	(2,360,000)	–	–	–	–	29 November 2004 to 16 December 2004
	(iii), (iv), (vii)	19.30	2,300,000	(2,300,000)	–	–	–	–	18 April 2007 to 19 April 2007
			4,660,000	(4,660,000)	–	–	–	–	
Ex-directors	*(ii), (iv), (vii)*	13.75	150,000	2,360,000	–	(2,510,000)	–	–	29 November 2004
	(iii), (iv), (vii)	19.30	1,100,000	2,300,000	–	–	–	3,400,000	18 April 2007 to 19 April 2007
			1,250,000	4,660,000	–	(2,510,000)	–	3,400,000	
Continuous contract employees	*(ii), (iv), (vii)*	13.75	5,104,000	–	–	(5,104,000)	–	–	26 November 2004 to 30 November 2004
	(iii), (iv), (vii)	19.30	3,740,000	–	–	(50,000)	–	3,690,000	17 April 2007 to 19 April 2007
			8,844,000	–	–	(5,154,000)	–	3,690,000	
			14,754,000	–	–	(7,664,000)	–	7,090,000	

For the nine months ended 30 September 2015:

			Number of share options						
Category	*Note*	**Exercise price** *HK$*	**Outstanding at 1 January 2015**	**Transfer (to)/from other category during the period**	**Granted during the period**	**Lapsed during the period**	**Exercised during the period**	**Outstanding at 30 September 2015**	**Date of grant/date of acceptance by grantee**
Ex-directors	*(iii), (iv), (viii)*	19.30	3,400,000	–	–	–	–	3,400,000	18 April 2007 to 19 April 2007
			3,400,000	–	–	–	–	3,400,000	
Continuous contract employees	*(iii), (iv), (viii)*	19.30	3,690,000	–	–	(40,000)	–	3,650,000	17 April 2007 to 19 April 2007
			3,690,000	–	–	(40,000)	–	3,650,000	
			7,090,000	–	–	(40,000)	–	7,050,000	

Notes:

(i) The share options were granted during the period from 28 October 2003 to 31 October 2003 under the share option scheme adopted by COSCO Pacific on 23 May 2003 (the "2003 Share Option Scheme"). The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 31 October 2003.

(ii) The share options were granted during the period from 26 November 2004 to 16 December 2004 under the 2003 Share Option Scheme. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 26 November 2004 to 16 December 2004.

(iii) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme. The options are exercisable at any time with ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(iv) The consideration paid to COSCO Pacific on acceptance of an offer of the grant of an option under the share option scheme is HK$1.00.

(v) All outstanding options were vested and exercisable as at 31 December 2012.

(vi) All outstanding options were vested and exercisable as at 31 December 2013.

(vii) All outstanding options were vested and exercisable as at 31 December 2014.

(viii) All outstanding options were vested and exercisable as at 30 September 2015.

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit before income tax	143,035	130,189	100,414	85,584	74,812
Depreciation and amortisation	105,146	113,179	126,816	93,395	93,595
Impairment loss of containers	375	–	–	–	–
(Reversal of provision)/provision for inventories	(12)	1,792	7,568	482	–
Provision for impairment of trade receivables	892	3,064	1,045	350	471
Loss/(gain) on disposal of property, plant and equipment, net	318	(438)	(7,226)	(8,290)	(966)
Gain on liquidation of a subsidiary	–	–	(29)	(29)	–
Write back of provision for impairment of					
– trade receivables	(1,246)	(1,491)	(754)	(397)	(1,709)
– finance lease receivables	(108)	(37)	–	–	–
Interest expenses	12,542	19,163	19,606	14,638	13,475
Interest income	(885)	(452)	(874)	(574)	(665)
Amortised amount of transaction costs on bank loans	2,132	2,958	3,039	2,093	2,393
Amortised amount of prepaid agency fee for finance lease	32	33	33	29	29
Other incidental borrowing costs and charges	43	29	137	136	119
Operating profit before working capital changes	262,264	267,989	249,775	187,417	181,554
Operating profit before working capital changes	262,264	267,989	249,775	187,417	181,554
(Increase)/decrease in finance lease receivables	(24,351)	8,117	11,622	8,353	(14,855)
Increase in prepaid agency fee for finance lease	(16)	(20)	(16)	(15)	(16)
Decrease in inventories	17,005	20,165	40,848	34,197	10,013
(Increase)/decrease in trade and other receivables, deposits and prepayments	(3,599)	1,613	4,679	1,542	(4,737)
Increase in amounts due from fellow subsidiaries	(7,046)	(8,300)	(13,388)	(4,329)	7,683
(Increase)/decrease in amounts due from a related company	(4)	4	–	1	1
Increase in other non-current assets	(9,700)	(11,317)	(12,984)	(9,935)	(4,905)
Increase/(decrease) in trade and other payables and accruals	8,055	(3,371)	1,569	1,967	(2,674)
(Decrease)/increase in payables to owners of containers under the Florens Group's management	(148)	(3,504)	(234)	1,081	(2,959)
Increase/(decrease) in amounts due to fellow subsidiaries	83	200	(290)	(196)	80
Decrease in amounts due to associates of immediate holding company	–	(34)	–	–	–
Increase in amounts due to related companies	6	101	277	138	302
Increase/(decrease) in net amount due to immediate holding company	953	964	(37)	(37)	–
Increase in other long term liabilities	–	–	–	–	1,955
Cash generated from operations	243,502	272,607	281,821	220,184	171,442

(b) Analysis of the balances of cash and cash equivalents

	Florens Group				Florens			
	31 December			30 September	31 December			30 September
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total time deposits, bank balances and cash *(note i)*	190,615	149,722	253,181	108,227	–	20	9	3
Representing:								
Time deposits	60,057	43,290	174,932	28,992	–	–	–	–
Bank balances and cash	130,558	106,432	58,027	56,394	–	20	9	3
Balance placed with COSCO Finance Co., Ltd. ("COSCO Finance") *(note ii)*	–	–	20,222	22,841	–	–	–	–
	190,615	149,722	253,181	108,227	–	20	9	3

Notes:

(i) As at 31 December 2012, 2013 and 2014 and 30 September 2015, cash and cash equivalents of US$16,655,000, US$18,281,000, US$27,036,000 and US$23,244,000 respectively of the Florens Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) Balances placed with COSCO Finance, a fellow subsidiary of the Florens Group, bear interest at prevailing market rates.

(iii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	Florens Group				**Florens**			
	31 December			**30 September**	**31 December**			**30 September**
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
US dollar	176,484	128,772	224,638	83,890	–	20	9	3
Euro	1,365	1,039	202	186	–	–	–	–
Renminbi	11,711	18,652	27,490	23,229	–	–	–	–
Sterling	407	311	72	103	–	–	–	–
Others	648	948	779	819	–	–	–	–
	190,615	149,722	253,181	108,227	–	20	9	3

37 CAPITAL COMMITMENTS

	Florens Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised but not contracted for				
– Containers	318,999	418,000	349,920	108,304
– Computer system under development	949	790	1,000	1,000
	319,948	418,790	350,920	109,304
Contracted but not provided for				
– Containers	94,890	16,540	21,619	–

Florens did not have any capital commitments as at 31 December 2012, 2013 and 2014 and 30 September 2015.

38 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

(a) Operating leases arrangements – where the Florens Group is the lessor

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Florens Group had future minimum lease receipts under non-cancellable operating leases as follows:

	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Containers				
– not later than one year	263,614	267,980	256,172	236,067
– later than one year and not later than five years	658,249	626,021	608,601	574,327
– later than five years	155,739	260,599	276,401	218,175
	1,077,602	1,154,600	1,141,174	1,028,569
Generator sets				
– not later than one year	944	834	666	575
– later than one year and not later than five years	1,643	909	448	621
– later than five years	302	210	87	41
	2,889	1,953	1,201	1,237
Car racks				
– not later than one year	22	22	22	22
– later than one year and not later than five years	89	92	78	59
– later than five years	31	10	–	–
	142	124	100	81
Investment properties				
– not later than one year	38	21	54	110
– later than one year and not later than five years	22	–	85	78
	60	21	139	188
	1,080,693	1,156,698	1,142,614	1,030,075

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

(b) Operating leases commitments – where the Florens Group is the lessee

At 31 December 2012, 2013 and 2014 and 30 September 2015, the Florens Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Buildings				
– not later than one year	770	769	754	739
– later than one year and not later than five years	2,050	1,608	1,239	1,067
– later than five years	92	–	–	7
	2,912	2,377	1,993	1,813
Plant and equipment				
– not later than one year	36	34	31	24
– later than one year and not later than five years	22	41	37	18
	58	75	68	42
Containers *(note)*				
– not later than one year	30,233	33,064	44,059	37,886
– later than one year and not later than five years	92,279	91,654	81,227	55,197
– later than five years	6,236	–	–	–
	128,748	124,718	125,286	93,083
	131,718	127,170	127,347	94,938

Note: The Florens Group entered operating lease agreements from 2008 to 2015 for the disposal of certain containers and agreed to lease back these containers from the purchasers with lease terms ranging from five to six years. The lessors calculated the rent payable by the Florens Group, which was determined on the terms agreed among the parties.

Pursuant to the operating lease agreement had entered into in 2008, the lessor has granted a lease extension option to the Florens Group, which must be exercised by the Florens Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date. During 2012, the Florens Group exercised the lease extension option with same terms. The new expiry date of this operating lease agreement is in July 2018.

(c) Florens did not have any lease arrangements/commitments as at 31 December 2012, 2013 and 2014 and 30 September 2015.

39 RELATED PARTY TRANSACTIONS

The Florens Group is controlled by COSCO Pacific which owns 100% of Florens' shares. The parent company of COSCO Pacific is COSCO Company.

COSCO Company is controlled by the PRC Government. The PRC Government is Florens' ultimate controlling party. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government ("state-owned enterprises"), together with COSCO Company and its group companies, other government related entities and their subsidiaries, other entities and subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which Florens is able to control or exercise significant influence and key management personnel of Florens and COSCO Company as well as their close family members, are also defined as related parties of the Florens Group.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Financial Information.

The following is a summary of significant related party transactions during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

(a) Sales/purchases of goods and services

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Container rental income from fellow subsidiaries *(note i)*					
– long term leases	139,113	153,436	172,877	125,631	129,516
– short term leases	8	22	197	141	641
Compensation for loss of containers from a fellow subsidiary *(note ii)*	378	478	528	436	198
Finance lease interest income from fellow subsidiaries *(note iii)*	2,871	3,964	3,927	2,968	3,324
Arrangement fee income from fellow subsidiaries *(note iii)*	352	9	6	6	282
Container freight charges to subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC") *(note iv)*	(1,096)	(1,551)	(1,588)	(1,155)	(963)
Approved continuous examination program fees to a fellow subsidiary *(note v)*	–	(2,000)	–	–	–
Management fee to immediate holding company *(note vi)*	(964)	(964)	–	–	–
Purchase of containers from subsidiaries of CIMC *(note vii)*	(225,616)	(167,573)	(250,371)	(197,856)	(163,883)
Handling, storage and maintenance expenses paid to fellow subsidiaries *(note viii)*	(1,145)	(930)	(1,087)	(792)	(371)
Nomination fee income *(ix)*	558	1,368	570	570	441

Notes:

(i) The Florens Group conducts long term container leasing business with COSCON. During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015, the Florens Group entered into new long term container leasing contracts/arrangements with COSCON.

The other container leasing businesses with COSCON and other subsidiaries of COSCO Company were conducted at terms as agreed between the Florens Group and respective parties in concern.

(ii) During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 the Florens Group had compensation received and receivable of US$378,000, US$478,000, US$528,000, US$436,000 and US$198,000 respectively from COSCON for the loss of containers under operating leases, resulting in a loss of US$28,000, a profit of US$3,000, a loss of US$60,000, a loss of $63,000 and a profit of US$17,000 respectively.

(iii) The Florens Group conducts finance leasing business with the fellow subsidiaries. The interest income and arrangement fee income were charged at rates as mutually agreed.

(iv) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Florens Group were charged at rates as mutually agreed.

(v) Approved continuous examination program fees of US$2,000,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Florens Group and COSCON for the years ended 31 December 2013.

(vi) The management fee paid to immediate holding company in respect of the management services rendered to the Florens Group was mutually agreed among the parties.

(vii) The purchases of containers from subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Florens Group and the respective parties in concern.

(viii) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(ix) Nomination fee income was charged at rates as mutually agreed.

(b) Balances with state-owned banks

		31 December		**30 September**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank deposits	94,118	65,234	202,258	30,913
Loans	523,166	348,372	343,667	361,224

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Key management compensation

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Salaries and other allowance	667	605	375	260	206
Retirement benefit costs	2	2	2	2	1
Bonuses	188	203	160	159	50
	857	810	537	421	257

Key management includes directors of Florens and the Florens Group.

(d) Share options granted by the immediate holding company

During the period from 26 November 2004 to 1 December 2004, a total of 4,200,000 share options at exercise price of HK$13.75 per share were granted to seven directors of Florens under the 2003 Share Option Scheme. As at 31 December 2013, the number of these share options held by four directors of Florens amounted to 2,360,000. Four directors resigned during the year and their share options were transferred to the category of "Ex-directors".

During the period from 17 April 2007 to 19 April 2007, a total of 1,900,000 share options at exercise price of HK$19.30 per share were granted to four directors of Florens under the 2003 Share Option Scheme. As at 31 December 2013, the number of these share options held by five directors of Florens amounted to 2,300,000. Five directors resigned during the year and their share options were transferred to the category of "Ex-directors".

All the share options granted are exercisable at any time within ten years from the respective date of grant of the share options subject to the terms and conditions as stipulated in the 2003 Share Option Scheme. The consideration on acceptance of an offer of the grant of an option is HK$1.00.

40 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of all directors and the chief executive for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 is set out below:

	Fees	**Salary**	**Discretionary bonuses**	**Estimated money value of other benefits**	**Retirement benefit costs**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the years ended 31 December:						
2012	–	546	188	121	2	857
2013	–	513	203	92	2	810
2014	–	323	160	52	2	537
For the nine months ended 30 September:						
2014 (unaudited)	–	234	159	26	2	421
2015	–	181	50	25	1	257

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Florens or any of its subsidiaries in respect of any period subsequent to 30 September 2015 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Florens or any of its subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of Helen Insurance Brokers Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity, and the statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China Shipping Container Lines Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of Target Company (the "Acquisition") by the Company.

The Target Company was established in Hong Kong on 20 September 2007 as a company with limited liability.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by Deloitte Touche Tohmatsu registered in the Hong Kong.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of The Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		HK$	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Revenue	*5*	31,405,778	34,065,068	35,582,066	28,243,062	28,669,406
Cost of sales		(7,787,375)	(6,715,103)	(5,194,545)	(3,857,755)	(3,340,832)
Gross profit		23,618,403	27,349,965	30,387,521	24,385,307	25,328,574
Other gains, net	*5*	92,205	88,643	66,929	177,469	(44,892)
Selling and distribution expenses		(9,450,891)	(9,137,012)	(9,723,187)	(6,886,578)	(7,602,864)
Profit before tax	*6*	14,259,717	18,301,596	20,731,263	17,676,198	17,680,818
Income tax expenses	*7*	(2,352,900)	(2,914,299)	(3,420,450)	(2,970,955)	(2,925,043)
Profit and total comprehensive income for the year/ period		11,906,817	15,387,297	17,310,813	14,705,243	14,755,775

Statements of financial position

	Notes	As at 31 December 2012 HK$	As at 31 December 2013 HK$	As at 31 December 2014 HK$	As at 30 September 2015 HK$
NON-CURRENT ASSETS					
Property, plant and equipment	*8*	971,049	178,475	130,427	28,067
Deferred tax assets	*14*	–	105,201	4,905	–
Total non-current assets		971,049	283,676	135,332	28,067
CURRENT ASSETS					
Trade receivables	*9*	2,429,325	4,400,605	4,200,980	10,360,891
Due from the immediate holding company	*10*	15,081,872	9,949,428	22,142,939	18,311,292
Due from fellow subsidiaries	*18(b)*	456,608	2,256,448	1,945,878	2,276,560
Tax recoverable		513,858	–	–	–
Restricted cash	*11*	52,389,307	57,231,574	54,558,795	79,664,488
Cash and cash equivalents	*12*	3,296,902	6,675,306	2,604,177	226,053
Total current assets		74,167,872	80,513,361	85,452,769	110,839,284
CURRENT LIABILITIES					
Trade payables	*13*	4,212,701	10,388,020	9,007,294	19,764,876
Other payables and accruals		2,039,263	2,201,614	2,299,396	1,714,477
Receipts in advance		13,750,214	9,942,812	6,474,781	11,333,805
Due to fellow subsidiaries	*18(b)*	33,681,554	30,711,234	38,475,580	48,047,230
Income tax payable		–	710,871	177,751	3,097,889
Total current liabilities		53,683,732	53,954,551	56,434,802	83,958,277
NET CURRENT ASSETS		20,484,140	26,558,810	29,017,967	26,881,007
NET ASSETS		21,455,189	26,842,486	29,153,299	26,909,074
EQUITY					
Share capital	*15*	3,000,000	3,000,000	3,000,000	3,000,000
Retained profits		18,455,189	23,842,486	26,153,299	23,909,074
TOTAL EQUITY		21,455,189	26,842,486	29,153,299	26,909,074

Statements of changes in equity

	Attributable to owners of the parent		
	Share capital	**Retained profits**	**Total equity**
	HK$	*HK$*	*HK$*
At 1 January 2012	3,000,000	21,548,372	24,548,372
Profit and total comprehensive income for the year	–	11,906,817	11,906,817
Dividend paid in shareholders	–	(15,000,000)	(15,000,000)
At 31 December 2012	3,000,000	18,455,189	21,455,189
Profit and total comprehensive income for the year	–	15,387,297	15,387,297
Dividend paid to shareholders	–	(10,000,000)	(10,000,000)
At 31 December 2013	3,000,000	23,842,486	26,842,486
Profit and total comprehensive income for the year	–	17,310,813	17,310,813
Dividend paid to shareholders	–	(15,000,000)	(15,000,000)
At 31 December 2014	3,000,000	26,153,299	29,153,299
Profit and total comprehensive income for the period	–	14,755,775	14,755,775
Dividend paid to shareholders	–	(17,000,000)	(17,000,000)
At 30 September 2015	3,000,000	23,909,074	26,909,074

	Attributable to owners of the parent		
	Share capital	**Retained profits**	**Total equity**
	HK$	*HK$*	*HK$*
At 31 December 2013	3,000,000	23,842,486	26,842,486
Profit and total comprehensive income for the period	–	14,705,243	14,705,243
Dividend paid to shareholders	–	(15,000,000)	(15,000,000)
At 30 September 2014 (Unaudited)	3,000,000	23,547,729	26,547,729

Statements of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	14,259,717	18,301,596	20,731,263	17,676,198	17,680,818
Adjustments for:					
Loss on disposal of property, plant and equipment	–	–	–	–	100,310
Depreciation of property, plant and equipment	557,908	792,557	54,615	40,933	16,010
Interest income	(92,205)	(88,643)	(105,588)	(87,062)	(55,418)
Operating cash flows before movements in working capital	14,725,420	19,005,510	20,680,290	17,630,069	17,741,720
(Increase)/decrease in trade receivables	(311,386)	(471,281)	199,625	(5,967,360)	(6,159,911)
Decrease/(increase) in amounts due from fellow subsidiaries	241,859	(1,799,840)	310,570	(4,876,413)	(330,682)
Decrease/(increase) in amount due from The Immediate holding company	2,355,870	5,132,444	(12,193,511)	(7,784,352)	3,831,647
(Increase)/decrease in restricted cash	(33,681,271)	(4,842,267)	2,672,779	5,159,458	(25,105,693)
(Decrease)/increase in trade payables	(8,003,186)	6,175,319	(1,380,726)	12,253,792	10,757,582
Increase/(decrease) in other payables and accruals	1,978,728	162,369	97,781	(663,113)	(584,918)
Increase/(decrease) in receipts in advance	7,579,845	(3,807,402)	(3,468,030)	(7,243,576)	4,859,023
Increase/(decrease) in amounts due to fellow subsidiaries	34,135,738	(4,470,320)	7,764,346	(5,800)	9,571,650
Cash generated from operations	19,021,617	15,084,532	14,683,124	8,502,705	14,580,418
Income tax paid	(2,859,926)	(1,794,771)	(3,853,274)	–	–
NET CASH FLOWS FROM OPERATING ACTIVITIES	16,161,691	13,289,761	10,829,850	8,502,705	14,580,418

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	92,205	88,643	105,588	87,062	55,418
Purchases of property, plant and equipment	(843,233)	–	(6,567)	(6,567)	(13,960)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(751,028)	88,643	99,021	80,495	41,458
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	(15,000,000)	(10,000,000)	(15,000,000)	(15,000,000)	(17,000,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(15,000,000)	(10,000,000)	(15,000,000)	(15,000,000)	(17,000,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	410,663	3,378,404	(4,071,129)	(6,416,800)	(2,378,124)
Cash and cash equivalents at beginning of year/period	2,886,239	3,296,902	6,675,306	6,675,306	2,604,177
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	3,296,902	6,675,306	2,604,177	258,506	226,053

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Helen Insurance Brokers Limited is a limited company incorporated in Hong Kong. The Target Company's immediate holding company is China Shipping (Hong Kong) Holdings Co., Limited, a company incorporated in Hong Kong, and its ultimate holding company is China Shipping (Group) Company, a company established in the People's Republic of China (the "PRC").

The address of the registered office and principal place of business of the Target Company is 33/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

In the opinion of the directors, its ultimate holding company is China Shipping (Group) Company ("China Shipping Group"), a company established in the People's Republic of China (the "PRC").

The Target Company is a member of the Hong Kong Confederation of Insurance Brokers. The principal activity of the Target Company is provision of insurance brokerage services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

The Financial Information has been prepared on a historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Company's operation and may result in changes in the Target Company's accounting policies and changes in presentation and measurement of certain items in the Target Company's Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Company if

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the party is an entity where any of the following conditions applies:

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful life and residual value are as follow:

	Useful life	Residual value
Office equipment	5 years	Nil
Leasehold improvement	1.5 years	Nil
Computers and software	3 to 5 years	Nil

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, other payables and accruals, amounts due to fellow subsidiaries, receipts in advance.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Target Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

(a) Insurance brokerage commission

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Insurance brokerage commission income is received or receivable which do not require the Target Company to render further service. Revenue is recognised when the service has been rendered.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Other employee benefits

Retire benefit costs

Payments to Mandatory Provident Fund Scheme in Hong Kong are charged as an expense when employees have rendered services entitling them to the contributions.

Dividends

Dividends are simultaneously proposed and declared, because the Target Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in Hong Kong dollars, which is the Target Company's functional currency. Foreign currency transactions recorded by the Target Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were nil, HKD105,201, HKD4,905 and nil as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

5. REVENUE, OTHER GAINS, NET

An analysis of revenue, other income and gains/(losses), net is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Insurance brokerage commission income					
– Third parties	10,388,052	11,907,944	11,952,505	9,319,397	8,233,671
– Fellow subsidiaries	21,017,726	22,157,124	23,629,561	18,923,665	20,435,735
	31,405,778	34,065,068	35,582,066	28,243,062	28,669,406
Other gains, net					
Interest income from bank deposits	91,069	87,713	103,834	85,891	52,301
Interest income on amount due from the immediate holding company	1,136	930	1,755	1,171	3,117
Net exchange (losses)/gains	–	–	(38,660)	90,407	–
Loss on disposal of property, plant and equipment	–	–	–	–	(100,310)
Total	92,205	88,643	66,929	177,469	(44,892)

6. PROFIT BEFORE TAX

The Target Company's profit before tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Employee benefit expenses:					
Wages and salaries	8,733,829	9,040,328	9,498,705	7,062,271	7,177,065
Contribution retirement plans	471,981	571,082	612,440	454,990	438,938
	9,205,810	9,611,410	10,111,145	7,517,261	7,616,003
Depreciation of property, plant and equipment	557,908	792,574	54,615	40,933	16,010
Auditors' remuneration	50,000	71,000	72,500	–	–
Operating lease rentals	1,713,928	1,253,736	1,098,456	828,805	858,492

7. INCOME TAX

The major components of income tax expenses of the Target Company during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Current income tax:					
Hong Kong	2,352,900	3,019,500	3,320,154	2,895,733	2,920,138
Deferred tax *(note 17)*	–	(105,201)	100,296	75,222	4,905
Total tax charge for the year/period	2,352,900	2,914,299	3,420,450	2,970,955	2,925,043

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year during the Relevant Periods.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Hong Kong to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Profit before tax	14,259,717	18,301,596	20,731,263	17,676,198	17,680,818
Tax at HK statutory tax rate of 16.5%	2,352,853	3,019,763	3,420,658	2,916,573	2,917,335
Tax effect of non-deductible expenses	92,055	14,363	20,810	11,140	14,138
Tax effect of income not taxable for tax purpose	(92,008)	(14,626)	(21,018)	43,242	(6,430)
Deductible temporary differences of prior year recognised	–	(105,201)	–	–	–
Total tax charge for the year/period	2,352,900	2,914,299	3,420,450	2,970,955	2,925,043

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Leasehold improvement	Computer and software	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 January 2012:				
Cost	465,987	546,290	977,557	1,989,834
Accumulated depreciation	(319,285)	(546,290)	(438,535)	(1,304,110)
Net carrying amount	146,702	–	539,022	685,724

	Office equipment *HK$*	Leasehold improvement *HK$*	Computer and software *HK$*	Total *HK$*
At 1 January 2012, net of accumulated depreciation	146,702	–	539,022	685,724
Additions	221,120	622,113	–	843,233
Depreciation provided during the year	(110,650)	(177,747)	(269,511)	(557,908)
At 31 December 2012, net of accumulated depreciation	257,172	444,366	269,511	971,049
At 31 December 2012 and 1 January 2013:				
Cost	687,107	1,168,403	977,557	2,833,067
Accumulated Depreciation	(429,935)	(724,037)	(708,046)	(1,862,018)
Net carrying amount	257,172	444,366	269,511	971,049
At 1 January 2013, net of accumulated depreciation	257,172	444,366	269,511	971,049
Depreciation provided during the year	(78,697)	(444,366)	(269,511)	(792,574)
At 31 December 2013, net of accumulated depreciation	178,475	–	–	178,475
At 31 December 2013 and 1 January 2014				
Cost	687,107	1,168,403	977,557	2,833,067
Accumulated Depreciation	(508,632)	(1,168,403)	(977,557)	(2,654,592)
Net carrying amount	178,475	–	–	178,475
At 1 January 2014, net of accumulated depreciation	178,475	–	–	178,475
Additions	6,567	–	–	6,567
Depreciation provided during the year	(54,615)	–	–	(54,615)
At 31 December 2014, net of accumulated depreciation	130,427	–	–	130,427

	Office equipment	Leasehold improvement	Computer and software	Total
	HK$	*HK$*	*HK$*	*HK$*
At 31 December 2014 and 1 January 2015:				
Cost	534,259	–	977,557	1,511,816
Accumulated depreciation	(403,832)	–	(977,557)	(1,381,389)
Net carrying amount	130,427	–	–	130,427
At 1 January 2015, net of accumulated depreciation	130,427	–	–	130,427
Additions	13,960	–	–	13,960
Disposals	(100,310)	–	–	(100,310)
Depreciation provided during the period	(16,010)	–	–	(16,010)
At 30 September 2015, net of accumulated depreciation	28,067	–	–	28,067
At 30 September 2015				
Cost	321,199	–	977,557	1,298,756
Accumulated depreciation	(293,132)	–	(977,557)	(1,270,689)
Net carrying amount	28,067	–	–	28,067

9. TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	2,429,325	4,400,605	4,200,980	10,360,891

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Within 1 months	460,532	1,262,643	2,732,004	1,683,621
1 to 3 months	1,659,882	1,140,769	858,044	3,848,331
More than 3 months	308,911	1,997,193	610,932	4,828,939
	2,429,325	4,400,605	4,200,980	10,360,891

Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. AMOUNT DUE FROM THE IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest bearing at prevailing bank saving deposit rate and repayable on demand.

11. RESTRICTED CASH

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Restricted insurance premium received	52,389,307	57,231,574	54,558,795	79,664,488

12. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Cash and cash equivalents	3,296,902	6,675,306	2,604,177	226,053

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

13. TRADE PAYABLES

An aging analysis of outstanding trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Within 1 months	2,257,658	2,629,569	1,814,982	10,101,826
1 to 3 months	1,250,916	2,805,805	5,404,282	3,509,593
Over 3 months	704,127	4,952,646	1,788,030	6,153,457
	4,212,701	10,388,020	9,007,294	19,764,876

The trade payables are non-interest-bearing and are non-interest-bearing and are normally settled on 180-day terms.

14. DEFERRED TAX

	Accelerated tax depreciation *HK$*
At 1 January 2012 and At 1 January 2013	–
Deferred tax charged to the profit or loss during the year *(note 7)*	105,201
At 31 December 2013 and at 1 January 2014	105,201
Deferred tax credit to the profit or loss during the year *(note 7)*	(100,296)
At 31 December 2014 and at 1 January 2015	4,905
Deferred tax credit to the profit or loss during the period *(note 7)*	(4,905)
At 30 September 2015	–

15. SHARE CAPITAL

	31 December 2012, 2013, 2014 and 30 September 2015 Total *HK$*
Issued and fully paid	3,000,000

16. CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company had no significant contingent liabilities.

17. COMMITMENTS

(a) Capital commitments

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company had no significant capital commitments.

(b) Operating lease arrangements – As lessee

At the end of each of the Relevant Periods, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	1,253,736	313,434	1,116,348	1,116,348
In the second to fifth years, inclusive	1,619,409	–	1,116,348	279,087
	2,873,145	313,434	2,232,696	1,395,435

18. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The following transactions were carried out with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Fellow subsidiaries					
Commission income	21,017,726	22,157,124	23,629,561	18,923,665	20,435,735
Rental and management fee expense	850,462	–	837,261	558,174	837,261
The immediate holding company Interest income	1,126	930	1,755	1,171	3,117
Management fee expense	720,000	720,000	720,000	540,000	900,000

(b) Balances with related parties

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Balances with fellow subsidiaries				
Due from fellow subsidiaries	456,608	2,256,448	1,945,878	2,276,560
Due to fellow subsidiaries	33,681,554	30,711,234	38,475,580	48,047,230

Balances with fellow subsidiaries were interest-free, unsecured and have no fixed terms of repayment. Details of the Target Company's balances with the immediate holding company are disclosed in note 13 to the financial statement.

(c) Key management remuneration

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
				(Unaudited)	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Salaries	1,598,150	2,368,834	2,574,296	2,158,326	2,563,128

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 30 September 2015

Financial assets

	Loans and receivables *HK$*
Trade receivables	10,360,891
Due from immediate holding company	18,311,292
Due from fellow subsidiaries	2,276,650
Restricted cash	79,687,277
Cash and cash equivalents	226,053
	110,862,073

Financial liabilities

	Financial liabilities at amortised cost *HK$*
Trade payables	19,764,876
Other payables and accruals	1,714,478
Receipts in advance	11,333,805
Due to fellow subsidiaries	48,047,230
	80,860,389

As at 31 December 2014

Financial assets

	Loans and receivables *HK$*
Trade receivables	4,200,980
Due from the immediate holding company	22,142,939
Due from fellow subsidiaries	1,945,878
Restricted cash	54,558,795
Cash and cash equivalents	2,604,177
	85,452,769

Financial liabilities

	Financial liabilities at amortised cost
	HK$
Trade payables	9,007,294
Other payables and accruals	2,299,396
Receipts in advance	6,474,781
Due to fellow subsidiaries	38,475,580
	56,257,051

As at 31 December 2013

Financial assets

	Loans and receivables
	HK$
Trade receivables	4,400,605
Due from the immediate holding company	9,949,428
Due from fellow subsidiaries	2,256,448
Restricted cash	57,231,574
Cash and cash equivalents	6,675,306
	80,513,361

Financial liabilities

	Financial liabilities at amortised cost
	HK$
Trade payables	10,388,020
Other payables and accruals	2,201,614
Receipts in advance	9,942,812
Due to fellow subsidiaries	30,711,234
	53,243,680

As at 31 December 2012

Financial assets

	Loans and receivables *HK$*
Trade receivables	2,429,325
Due from immediate holding company	15,081,872
Due from fellow subsidiaries	1,743,190
Restricted cash	52,389,307
Cash and cash equivalents	3,296,902
	74,940,596

Financial liabilities

	Financial liabilities at amortised cost *HK$*
Trade payables	4,212,701
Other payables and accruals	2,039,263
Receipts in advance	13,750,214
Due to fellow subsidiaries	36,468,136
	56,470,314

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivable, trade payables, receipts in advance, financial assets included in trade receivables, due from the immediate holding company and due from fellow subsidiaries, financial liabilities included in other payables and accruals, due to fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise cash and cash equivalents and restricted cash. The main purpose of these financial instruments is for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments for trading purposes. The boards of directors reviews and agree policies for managing each of these risks and they are summarized below:

(a) Credit risk

The Target Company has no concentration of credit risk. The Target Company's cash and cash equivalents are mainly deposited with overseas banks. The carrying amounts of restricted cash and cash and cash equivalents included in the statement of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets. The Target Company has no other financial assets which carry significant exposure to credit risk.

(b) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

The maturity profile of the Target Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments are less than three months.

(c) Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Target Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and accruals, receipts in advance, due to fellow subsidiaries, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the reporting periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Trade payables	4,212,701	10,388,020	9,007,294	19,764,876
Other payables and accruals	2,039,263	2,201,614	2,299,396	1,714,478
Receipts in advance	13,750,214	9,942,812	6,474,781	11,333,805
Due to fellow subsidiaries	33,681,554	30,711,234	38,475,580	48,047,230
Less: Cash and cash equivalents	(3,296,902)	(6,675,306)	(2,604,177)	(226,053)
Net debt	50,386,830	46,568,374	53,652,874	80,634,336
Total equity	21,455,189	26,842,486	29,153,299	26,909,074
Capital and net debt	71,842,019	73,410,860	82,806,173	107,543,410
Gearing ratio	70%	63%	65%	75%

22. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Target Company or the Target Group after 30 September 2015.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Nauticgreen Holdings Company Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015 and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Comparative Financial Information"), for inclusion in the circular of China Shipping Container Lines Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Company (the "Acquisition") by the Company.

The Target Company was incorporated in Hong Kong on 11 May 2011 as a company with limited liability. During the Relevant Periods, the principal activity of the Target Company was investment holding. Details of the principal activities of the subsidiaries are set out in note 1 of Section II below.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Section II Notes	Year ended 31 December 2012 US$'000	Year ended 31 December 2013 US$'000	Year ended 31 December 2014 US$'000	Nine months ended 30 September 2014 US$'000 (Unaudited)	Nine months ended 30 September 2015 US$'000
REVENUE	5	89,777	70,961	–	–	–
Cost of sales		(36,933)	(26,512)	–	–	–
Gross profit		52,844	44,449	–	–	–
Other income and gains/(losses), net	5	20,608	22,816	1	1	(1)
Gain on disposal of subsidiaries and associates	27	–	6,713	–	–	–
Administrative expenses		(7,865)	(6,996)	(11)	(5)	(31)
Share of profits of associates		5,839	2,335	–	–	–
Other expenses		(2,277)	(282)		–	–
Finance costs	7	(8,417)	(6,366)	–	–	–
PROFIT/(LOSS) BEFORE TAX	6	60,732	62,669	(10)	(4)	(32)
Income tax expenses	10	(1,432)	(1,153)	–	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT		59,300	61,516	(10)	(4)	(32)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:						
Exchange difference on translation of foreign operations		118	1,148	–	–	–
Release of exchange reserve upon disposal of subsidiaries and associates		–	(7,505)	–	–	–
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		118	(6,357)	–	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		59,418	55,159	(10)	(4)	(32)

Consolidated statements of financial position

	Section II Notes	As at 31 December 2012	2013	2014	As at 30 September 2015
		US$'000	US$'000	US$'000	US$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	473,325	–	48,960	68,000
Interests in associates	14	49,135	–	–	–
Finance lease receivables	15	85,820	–	–	–
Total non-current assets		608,280	–	48,960	68,000
CURRENT ASSETS					
Finance lease receivables	15	11,076	–	–	–
Trade and other receivables	16	16,728	–	2	–
Tax recoverable		484	–	–	–
Amount due from immediate holding company	18	1	364,515	193,709	166,509
Amounts due from associates	19	5,902	–	–	–
Restricted bank balances	21	4,347	–	–	–
Cash and cash equivalents	21	71,822	1	1	1
Total current assets		110,360	364,516	193,712	166,510
CURRENT LIABILITIES					
Trade and other payables	22	12,196	1	–	–
Tax payables		3,709	–	–	–
Amounts due to fellow subsidiaries	17	–	70	16,403	8,273
Interest-bearing bank borrowings	23	179,320	–	–	–
Total current liabilities		195,225	71	16,403	8,273
NET CURRENT ASSETS/ (LIABILITIES)		(84,865)	364,445	177,309	158,237
TOTAL ASSETS LESS CURRENT LIABILITIES		523,415	364,445	226,269	226,237
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	23	211,860	–	–	–
Deferred tax liabilities	24	2,269	–	–	–
Total non-current liabilities		214,129	–	–	–
NET ASSETS		309,286	364,445	226,269	226,237
EQUITY					
Equity attributable to owners of the parent					
Share capital	25	17,966	17,966	225,891	225,891
Reserves	26(a)	291,320	346,479	378	346
TOTAL EQUITY		309,286	364,445	226,269	226,237

Consolidated statements of changes in equity

	Attributable to owners of the parent					
	Share capital *US$'000*	Share premium account *US$'000*	Capital reserves *US$'000*	Exchange reserve *US$'000*	Retained profits *US$'000*	Total equity *US$'000*
At 1 January 2012	17,966	207,925	(45,889)	6,239	63,627	249,868
Profit for the year	–	–	–	–	59,300	59,300
Other comprehensive income for the year:						
Exchange difference on translation of foreign operations	–	–	–	118	–	118
Total comprehensive income for the year	–	–	–	118	59,300	59,418
At 31 December 2012	17,966	207,925*	(45,889)*	6,357*	122,927*	309,286
Profit for the year	–	–	–	–	61,516	61,516
Other comprehensive income for the year:						
Exchange difference on translation of foreign operations	–	–	–	1,148	–	1,148
Release of exchange reserve upon disposal of subsidiaries and associates	–	–	–	(7,505)	–	(7,505)
Total comprehensive income/(expense) for the year	–	–	–	(6,357)	61,516	55,159
Release upon disposal of subsidiaries and associates	–	–	45,889	–	(45,889)	–
At 31 December 2013 and 1 January 2014	17,966	207,925*	–	–	138,554*	364,445
Loss for the year and total comprehensive expense for the year	–	–	–	–	(10)	(10)
Transition to no-par value regime *(note 25)*	207,925	(207,925)	–	–	–	–
Dividend *(note 11)*	–	–	–	–	(138,166)	(138,166)
At 31 December 2014 and 1 January 2015	225,891	–	–	–	378*	226,269
Loss for the period and total comprehensive expense for the period	–	–	–	–	(32)	(32)
At 30 September 2015	225,891	–	–	–	346*	226,237
Nine months ended 30 September 2014 (unaudited)						
At 1 January 2014	17,966	207,925	–	–	138,554	364,445
Loss for the period and total comprehensive expense for the period	–	–	–	–	(4)	(4)
Transition to no-par value regime *(note 25)*	207,925	(207,925)	–	–	–	–
Dividend *(note 11)*	–	–	–	–	(138,166)	(138,166)
At 30 September 2014 (unaudited)	225,891	–	–	–	384	226,275

* Theses reserve accounts comprise the consolidated reserves of US$291,320,000, US$346,479,000, US$378,000 and US$346,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Consolidated statements of cash flows

	Section II Notes	**Year ended 31 December 2012**	**2013**	**2014**	**Nine months ended 30 September 2014**	**2015**
		US$'000	*US$'000*	*US$'000*	*US$'000 (Unaudited)*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		60,732	62,669	(10)	(4)	(32)
Adjustments for:						
Depreciation of property, plant and equipment	*13*	34,017	23,740	–	–	–
Share of profits of associates		(5,839)	(2,335)	–	–	–
Interest income	*5*	(154)	(20)	–	–	–
Gain on disposal of items of property, plant and equipment	*5*	(20,267)	(22,466)	–	–	–
Finance costs	*7*	8,417	6,366	–	–	–
Gain on disposal of subsidiaries and associates	*6*	–	(6,713)	–	–	–
		76,906	61,241	(10)	(4)	(32)
Increase in finance lease receivables		(21,242)	(22,796)	–	–	–
Decrease/(increase) in trade and other receivables		2,476	(9,087)	(2)	–	2
Increase/(decrease) in trade and other payables		(2,494)	7,219	(1)	–	–
Cash generated from/(used in) operations		55,646	36,577	(13)	(4)	(30)
Income tax refund/(paid)		(945)	484	–	–	–
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		54,701	37,061	(13)	(4)	(30)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	*13, 33*	(14,932)	(96,734)	(32,640)	–	(10,880)
Proceeds from disposal of items of property, plant and equipment		38,844	46,190	–	–	–
Interest received		154	20	–	–	–
Disposal of subsidiaries and associates	*27*	–	(68,850)	–	–	–
Decrease/(increase) in amount due from immediate holding company	*33*	(1)	–	32,640	(5)	27,200
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		24,065	(119,374)	–	(5)	16,320

	Section II Notes	Year ended 31 December 2012 US$'000	2013 US$'000	2014 US$'000	Nine months ended 30 September 2014 US$'000 (Unaudited)	2015 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings raised		124,000	2,808	–	–	–
Repayment of bank borrowings		(159,540)	(168,203)	–	–	–
Proceeds from issuance of note payable		–	195,420	–	–	–
Repayment of note payable		–	(1,437)			
Interest paid		(8,021)	(6,366)	–	–	–
Decrease/(increase) in restricted bank balances		1,830	(11,680)	–	–	–
Increase/(decrease) in amounts due to fellow subsidiaries	33	–	70	13	9	(16,290)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(41,731)	10,612	13	9	(16,290)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		37,035	(71,701)	–	–	–
Cash and cash equivalents at beginning of year/period		34,791	71,822	1	1	1
Effect of foreign exchange rate changes, net		(4)	(120)	–	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		71,822	1	1	1	1
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	21	71,822	1	1	1	1
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows		71,822	1	1	1	1

Statements of financial position

	Section II Notes	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 September 2015
		US$'000	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Investments in subsidiaries	*12*	225,889	–	8	8
CURRENT ASSETS					
Other receivables		–	–	2	–
Amounts due from subsidiaries	*20*	–	–	32,639	59,839
Amount due from immediate holding company	*18*	–	364,515	193,709	166,509
Cash and cash equivalents		–	1	1	1
Total current assets		–	364,516	226,351	226,349
CURRENT LIABILITIES					
Other payables		4	1	–	–
Amounts due to fellow subsidiaries	*17*	–	70	86	91
Amount due to a subsidiary	*20*	64	–	–	–
Total current liabilities		68	71	86	91
NET CURRENT ASSETS/ (LIABILITIES)		(68)	364,445	226,265	226,258
NET ASSETS		225,821	364,445	226,273	226,266
EQUITY					
Share capital	*25*	17,966	17,966	225,891	225,891
Reserves	*26(b)*	207,855	346,479	382	375
TOTAL EQUITY		225,821	364,445	226,273	226,266

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited company incorporated in Hong Kong. The address of the registered office and principal place of business of the Target Company is 33/F., Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

In the opinion of the directors, the Target Company's immediate holding company is China Shipping (Hong Kong) Holdings Co., Limited ("CSHK"), a company incorporated in Hong Kong and its ultimate holding company is China Shipping (Group) Company, a stated owned enterprise established in the People's Republic of China (the "PRC").

During the Relevant Periods, the principal activities of the Target Company and its subsidiaries were investment holding and container related business.

At the end of each of the Relevant Periods and the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Name	Place and date of incorporation and place of operation	Issued ordinary share capital	Percentage of equity interest attributable to the Target Company as at 31 December 2012	31 December 2013	31 December 2014	30 September 2015	Date of this report	Principal activities
Directly held								
Dong Fang International Investment Limited *(note (i))*	British Virgin Islands ("BVI") 13 May 1997/ Hong Kong	US$100,000,000	100	N/A	N/A	N/A	N/A	Provision of container leasing and other related businesses
China Shipping Nauticgreen Bulk 01 Limited *(note (ii))*	Hong Kong 2 July 2014	HK$10,000	N/A	N/A	100	100	100	Vessel holding and chartering
China Shipping Nauticgreen Bulk 02 Limited *(note (ii))*	Hong Kong 2 July 2014	HK$10,000	N/A	N/A	100	100	100	Vessel holding and chartering
China Shipping Nauticgreen Bulk 03 Limited *(note (ii))*	Hong Kong 2 July 2014	HK$10,000	N/A	N/A	100	100	100	Vessel holding and chartering
China Shipping Nauticgreen Bulk 04 Limited *(note (ii))*	Hong Kong 2 July 2014	HK$10,000	N/A	N/A	100	100	100	Vessel holding and chartering
China Shipping Nauticgreen Bulk 05 Limited *(note (ii))*	Hong Kong 17 July 2014	HK$10,000	N/A	N/A	100	100	100	Dormant
China Shipping Nauticgreen Bulk 06 Limited *(note (ii))*	Hong Kong 17 July 2014	HK$10,000	N/A	N/A	100	100	100	Dormant

Name	Place and date of incorporation and place of operation	Issued ordinary share capital	Percentage of equity interest attributable to the Target Company as at 31 December 2012	2013	2014	30 September 2015	Date of this report	Principal activities
Indirectly held								
Dong Fang International Asset Management Limited *(note (iii))*	Hong Kong 5 November 1997	HK$3	100	N/A	N/A	N/A	N/A	Provision of container management services, sale of containers to container investors and related business
Dong Fang International Container Limited *(note (i))*	BVI 22 December 2004	US$50,000	100	N/A	N/A	N/A	N/A	Investment holding
Oriental International Equipment Trading Limited *(note (i))*	BVI 25 January 2010/ Hong Kong	US$10,000	100	N/A	N/A	N/A	N/A	Sale of used containers and related businesses
Dong Fang International Container Investment Limited *(note (iii))*	Hong Kong 18 June 2012	HK$10,000	100	N/A	N/A	N/A	N/A	Container investment
Dong Fang International Asset Management (Singapore) Private Limited *(note (iv))*	Singapore 6 December 2012	SG$1	100	N/A	N/A	N/A	N/A	Marketing support and customer service

Notes:

(i) No audited financial statements were issued for these subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their place of incorporation. These subsidiaries were disposed of by the Target Company during the year ended 31 December 2013 (note 27).

(ii) There were no audited financial statements of these subsidiaries for the year ended 31 December 2014 since they were newly incorporated in July 2014.

(iii) The statutory financial statements of these subsidiaries for the year ended 31 December 2012 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Hong Kong. These subsidiaries were disposed of by the Target Company during the year ended 31 December 2013 (note 27).

(iv) There were no audited financial statements of this subsidiary for the year ended 31 December 2012 since it is newly incorporated in December 2012. This subsidiary was disposed of by the Target Company during the year ended 31 December 2013 (note 27).

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial information of the Target Company and its subsidiaries for the Relevant Periods. The financial information of the subsidiaries is prepared for the same reporting period as the Target Company, using consistent accounting policies. Other than subsidiaries acquired under business combinations under common control which are consolidated from the date when the combining entities first come under the control of the controlling party, the results of other subsidiaries are consolidated from the date the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owner of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

3.1 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Certain of these HKFRSs may be relevant to the Target Group's operation and may result in changes in the Target Group's accounting policies, and changes in presentation and measurement of certain items in the Target Group's Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statements of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Target Group's interests in associates are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Target Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Target Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Target Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than vessels under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Containers	10 years
Vehicles	10 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years

With effect from 1 January 2013, the estimated residual value of the Target Group's 20' general purpose container, 40' general purpose container, 40' high cube container and 45' high cube container was changed from US$950 – US$1,250 per twenty-foot equivalent unit ("TEU") to US$1,030 – US$1,750 per TEU. This constitutes a change in accounting estimates. In the opinion of the Directors, based on the then business condition, the estimated residual value of these containers is more appropriately reflected by the change. The change has been applied prospectively and has resulted in a decrease in depreciation of approximately US$2,100,000 for the year ended 31 December 2013.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Vessels under construction are stated at cost less accumulated impairment losses. Cost of vessels under construction includes all direct costs relating to the construction. No depreciation is provided for vessels under construction until such time as the relevant vessels are completed and ready for intended use. Vessels under construction are transferred to vessels upon the completion of the construction.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessees are accounted for as finance leases, including leases which transfer ownership of the asset to the lessee at the end of the lease term.

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. Revenue on assets leased out under finance leases is recognised in accordance with the Target Group's revenue recognition policies, as set out below.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains/(losses), net in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to fellow subsidiaries and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) from the leasing of containers and chassis under operating leases, revenue is recognised on a straight-line basis over the period of each lease while revenue on containers leased out under finance leases is allocated to an accounting period to give a constant periodic rate of return on the net investments in the lease in each period; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension schemes

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Target Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. The Target Group makes monthly contributions and the contributions are charged to profit or loss on an accrual basis. The Target Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the Financial Information.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in United States dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the United States dollar. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases. In respect of finance leases, judgement is required in determining the appropriate discount rate implicit in the lease to discount minimum lease payments. In respect of certain leases classified as finance leases, it has not been possible to reliably estimate lessors' residual values and management has been required to independently estimate an appropriate discount rate. The accounting policy for leases is set out in note 3.2.

Current tax and deferred tax

The Target Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Target Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made.

The carrying amounts of current tax payables and deferred tax liabilities are set out in the consolidated statements of financial position and note 24 to the Financial Information, respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of containers

Management has determined the estimated useful lives of containers with a carrying amount of US$469,050,000 as at 31 December 2012 by reference to the Target Group's business model, its asset management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expenses will change when useful lives are different from the previous estimates.

Management has determined the residual values of containers based on all relevant factors (including the use of the current market value of used containers as a reference value) at 31 December 2012. The depreciation expenses will change where the residual values are different from the previous estimates. During the year ended 31 December 2013, management re-assessed and changed the residual values of certain containers. Further details are set out in the paragraph headed "Property, plant and equipment and depreciation" in note 3.2 above.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will have an impact on the carrying value of the receivables and doubtful debt expenses/write back of doubtful debt in the period in which such estimate is changed.

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

Revenue represents revenue arising on container and chassis leasing, provision of container management services and sales of containers.

An analysis of revenue, other income and gains/(losses), net is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Revenue					
Container leasing	85,839	68,373	–	–	–
Chassis leasing	2,073	1,544	–	–	–
Sales of containers	1,149	143	–	–	–
Provision of container management services	716	901	–	–	–
	89,777	70,961	–	–	–
Other income and gains/(losses), net					
Interest income	154	20	–	–	–
Gain on disposal of items of property,plant and equipment	20,267	22,466	–	–	–
Exchange gain/(loss)	(42)	105	1	1	(1)
Others	229	225	–	–	–
	20,608	22,816	1	1	(1)

6. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Depreciation*	34,017	23,740	–	–	–
Auditors' remuneration	79	85	2	–	3
Employee benefit expense (excluding directors' remuneration):					
Wages and salaries	3,440	2,907	–	–	–
Pension scheme contributions (defined contribution scheme)	167	101	–	–	–
Other welfare	746	776	–	–	–
Gain on disposal of subsidiaries and associates	–	(6,713)	–	–	–
Minimum lease payments under operating leases	586	688	–	–	–
Foreign exchange differences, net	(42)	105	1	1	(1)
Gain on disposal of items of property, plant and equipment	20,267	22,466	–	–	–
Bank interest income	154	20	–	–	–
Cost of inventories sold	1,122	139	–	–	–
Cost of services provided	35,811	26,373	–	–	–

* Amounts of US$33,435,000 and US$23,225,000 are included in "Cost of sales" on the face of the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2012 and 2013, respectively.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Interest on bank borrowings wholly repayable within 5 years	8,417	5,542	–	–	–
Amortisation of note payable	–	824	–	–	–
	8,417	6,366	–	–	–

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Fees	218	261	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Pension scheme contributions	5	10	–	–	–
	5	10	–	–	–
	223	271	–	–	–

(a) Directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2012				
Han Jun	–	–	–	–
Su Yigang	218	–	5	223
Lu Siyi	–	–	–	–
	218	–	5	223
For the year ended 31 December 2013				
Han Jun *(note (i))*	–	–	–	–
Su Yigang	141	–	3	144
Lu Siyi *(note (i))*	–	–	–	–
Chen Yiming *(note (ii))*	120	–	7	127
Li Xueqiang *(note (ii))*	–	–	–	–
Wang Daxiong *(note (ii))*	–	–	–	–
Wu Changzheng *(note (ii))*	–	–	–	–
Yang Jigui *(note (ii))*	–	–	–	–
	261	–	10	271

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2014				
Su Yigang	–	–	–	–
Chen Yiming *(note (iii))*	–	–	–	–
Li Xueqiang *(note (iv))*	–	–	–	–
Wang Daxiong	–	–	–	–
Wu Changzheng	–	–	–	–
Yang Jigui	–	–	–	–
Lin Feng *(note (v))*	–	–	–	–
	–	–	–	–
For the nine months ended 30 September 2014 (unaudited)				
Su Yigang	–	–	–	–
Chen Yiming *(note (iii))*	–	–	–	–
Li Xueqiang	–	–	–	–
Wang Daxiong	–	–	–	–
Wu Changzheng	–	–	–	–
Yang Jigui	–	–	–	–
	–	–	–	–
For nine months ended 30 September 2015				
Su Yigang	–	–	–	–
Wang Daxiong	–	–	–	–
Wu Changzheng	–	–	–	–
Yang Jigui	–	–	–	–
Lin Feng	–	–	–	–
	–	–	–	–

Notes:

(i) Han Jun and Lu Siyi resigned as directors on 30 April 2013.

(ii) Chen Yiming, Li Xueqiang, Wang Daxiong, Wu Changzheng and Yang Jigui were appointed as directors on 30 April 2013.

(iii) Chen Yiming resigned as director on 7 April 2014.

(iv) Li Xueqiang resigned as director on 17 October 2014.

(v) Lin Feng was appointed as director on 17 October 2014.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2012 and 2013 included one and two directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2012 and 2013 of the remaining four and three highest paid employees respectively, who are not a director of the Target Company are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Salaries, allowances and benefits in kind	734	471	–	–	–
Pension scheme contributions	26	13	–	–	–
	760	484	–	–	–

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014** *(unaudited)*	**2015**
Nil to HK$1,000,000	–	2	–	–	–
HK$1,000,001 to HK$1,500,000	2	–	–	–	–
HK$1,500,001 to HK$2,000,000	1	1	–	–	–
Above HK$2,000,001	1	–	–	–	–
	4	3	–	–	–

10. INCOME TAX EXPENSES

Hong Kong profits tax has been calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2012 and 2013.

No Hong Kong profits tax has been made during the year ended 31 December 2014 and the nine months ended 30 September 2014 and 2015 as the Target Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Current income tax:					
Hong Kong	61	380	–	–	–
Withholding tax on distribution of the dividend of PRC associates	590	1,630	–	–	–
Overprovision for the prior periods	(7)	(5)	–	–	–
Other jurisdiction	763	550			
Deferred tax *(note 24)*	25	(1,402)	–	–	–
Total tax charge for the year/period	1,432	1,153	–	–	–

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
Profit/(loss) before tax	60,732	62,669	(10)	(4)	(32)
Tax at the statutory tax rate of 16.5%	10,021	10,340	(2)	(1)	(5)
Tax effect of share of profits of associates	(963)	(385)	–	–	–
Expenses not deductible for tax	85	215	2	1	5
Income not subject to tax	(8,132)	(9,151)	–	–	–
Withholding tax of distributable earnings of PRC associates	583	251	–	–	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	(155)	(112)	–	–	–
Adjustments in respect of current tax of previous periods	(7)	(5)	–	–	–
Total tax charge for the year/period	1,432	1,153	–	–	–

The share of tax attributable to associates amounting to US$1,493,000 and US$679,000 during the years ended 31 December 2012 and 2013, respectively, is included in "Share of profits of associates" in the consolidated statements of profit or loss and other comprehensive income.

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by PRC entities shall be subject to PRC enterprise income tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises with Foreign Investment and Foreign Enterprises. During the year ended 31 December 2012, deferred tax liabilities of US$583,000 on the distributable earnings of PRC associates has been charged to profit or loss in the consolidated statements of profit or loss and other comprehensive income.

There is no income tax consequence attaching to the payment of dividends by the Target Company to its shareholders.

11. DIVIDEND

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*	*US$'000*
2014 interim – HK$0.765 per ordinary share	–	–	138,166	138,166	–

12. INVESTMENTS IN SUBSIDIARIES

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted equity investments, at cost	225,889	–	8	8

Particulars of the subsidiaries of the Target Company as at the end of each of the Relevant Periods are set out in note 1 to the Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Containers	Vehicles	Leasehold improvements	Furniture, fixtures and equipment	Vessels under construction	Total
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Net carrying amount:							
At 1 January 2012		505,398	4,046	11	1,532	–	510,987
Additions		14,372	–	22	538	–	14,932
Depreciation provided during the year		(32,147)	(1,288)	(13)	(569)	–	(34,017)
Disposals		(18,573)	–	–	(4)	–	(18,577)
At 31 December 2012 and 1 January 2013		469,050	2,758	20	1,497	–	473,325
Additions		95,638	207	9	880	–	96,734
Depreciation provided during the year		(22,547)	(678)	(5)	(510)	–	(23,740)
Disposals		(23,590)	(134)	–	–	–	(23,724)
Disposal of subsidiaries and associates	*27*	(518,551)	(2,153)	(24)	(1,867)	–	(522,595)
At 31 December 2013 and 1 January 2014		–	–	–	–	–	–
Additions		–	–	–	–	48,960	48,960
At 31 December 2014 and 1 January 2015		–	–	–	–	48,960	48,960
Additions		–	–	–	–	19,040	19,040
30 September 2015		–	–	–	–	68,000	68,000
At 1 January 2012:							
Cost		667,546	14,976	134	2,656	–	685,312
Accumulated depreciation		(162,148)	(10,930)	(123)	(1,124)	–	(174,325)
Net carrying amount		505,398	4,046	11	1,532	–	510,987

	Note	Containers	Vehicles	Leasehold improvements	Furniture, fixtures and equipment	Vessels under construction	Total
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2012:							
Cost		642,819	14,976	156	3,183	–	661,134
Accumulated depreciation		(173,769)	(12,218)	(136)	(1,686)	–	(187,809)
Net carrying amount		469,050	2,758	20	1,497	–	473,325
At 31 December 2013:							
Cost		–	–	–	–	–	–
Accumulated depreciation		–	–	–	–	–	–
Net carrying amount		–	–	–	–	–	–
At 31 December 2014:							
Cost		–	–	–	–	48,960	48,960
Accumulated depreciation		–	–	–	–	–	–
Net carrying amount		–	–	–	–	48,960	48,960
At 30 September 2015:							
Cost		–	–	–	–	68,000	68,000
Accumulated depreciation		–	–	–	–	–	–
Net carrying amount		–	–	–	–	68,000	68,000

At 31 December 2012, certain of the Target Group's containers with a net carrying amount of approximately US$331,386,000 were pledged to secure general banking facilities granted to the Target Group (note 23).

14. INTERESTS IN ASSOCIATES

Details of the Target Group's interests in associates are as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of net assets	49,135	–	–	–

As at 31 December 2012, particulars of the Target Group's associates are as follows:

Name	Place and date of registration and place of business	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
東方國際集裝箱(連雲港)有限公司 Dong Fang International Containers (Lianyungang) Co., Ltd.	Jiangsu PRC 3 February 2005	US$25,340,000	25%	25%	25%	Container manufacture and sales
東方國際集裝箱(錦州)有限公司 Dong Fang International Containers (Jinzhou) Co., Ltd.	Jinzhou PRC 27 September 2005	US$20,000,000	28%	28%	28%	Container manufacture and sales
東方國際集裝箱(廣州)有限公司 Dong Fang International Containers (Guangzhou) Co., Ltd.	Guangzhou PRC 17 January 2006	US$20,000,000	28%	28%	28%	Container manufacture and sales
連雲港五洲專用車製造有限公司 Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd.	Jiangsu PRC 17 May 2005	RMB125,000,000	25%	25%	25%	Special purpose vehicle Manufacture and sales

Note: The above associates were disposed of during the year ended 31 December 2013 (note 27).

Dong Fang International Containers (Lianyungang) Co., Ltd., Dong Fang International Containers (Jinzhou) Co., Ltd. and Dong Fang International Containers (Guangzhou) Co., Ltd., which are considered material associates of the Target Group, are strategic partners of the Target Group, engaged in the manufacture and sale of containers and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Lianyungang) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current assets	63,723	–	–	–
Non-current assets	34,562	–	–	–
Current liabilities	(35,382)	–	–	–
Net assets	62,903	–	–	–
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	25%	N/A	N/A	N/A
Carrying amount of the investment	15,726	–	–	–

	As at 31 December 2012	2013	2014	As at 30 September 2015
	US$'000	US$'000	US$'000	US$'000
Revenue	114,104	127,018	–	–
Profit for the year/period	7,403	3,731	–	–
Other comprehensive income for the year/period	145	1,508	–	–
Total comprehensive income for the year/period	7,548	5,239	–	–
Dividends declared by Dong Fang International Containers (Lianyungang) Co., Ltd. during the year/period	–	17,852	–	–

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Jinzhou) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December 2012	2013	2014	As at 30 September 2015
	US$'000	US$'000	US$'000	US$'000
Current assets	78,165	–	–	–
Non-current assets	32,479	–	–	–
Current liabilities	(61,875)	–	–	–
Net assets	48,769	–	–	–
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	28%	N/A	N/A	N/A
Carrying amount of the investment	13,655	–	–	–
Revenue	121,406	106,326	–	–
Profit for the year/period	6,583	2,228	–	–
Other comprehensive income for the year/period	136	1,161	–	–
Total comprehensive income for the year/period	6,719	3,389	–	–
Dividends declared by Dong Fang International Containers (Jinzhou) Co., Ltd. during the year/period	9,944	18,396	–	–

The following table illustrates the summarised financial information in respect of Dong Fang International Containers (Guangzhou) Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the Financial Information:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Current assets	62,495	–	–	–
Non-current assets	41,068	–	–	–
Current liabilities	(47,150)	–	–	–
Net assets	56,413	–	–	–
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	28%	N/A	N/A	N/A
Carrying amount of the investment	15,796	–	–	–
Revenue	135,144	170,886	–	–
Profit for the year/period	7,617	2,742	–	–
Other comprehensive income for the year/period	155	1,345	–	–
Total comprehensive income for the year/period	7,772	4,087	–	–
Dividends declared by Dong Fang International Containers (Guangzhou) Co., Ltd. during the year/period	11,137	24,094	–	–

The following table illustrates the financial information of the Target Group's associate that is not individually material:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of the associates' profit for the year/period	12	10	–	–
Share of the associates' other comprehensive income	9	92	–	–
Share of the associates' total comprehensive income	21	102	–	–
Aggregate carrying amount of the Target Group's interest in the associate	3,958	–	–	–

15. FINANCE LEASE RECEIVABLES

	As at 31 December									As at 30 September		
	2012			2013			2014			2015		
	Effective interest rate (%)	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*
Current portion	6.15% to 11.87%	2013	11,076	N/A	N/A	–	N/A	N/A	–	N/A	N/A	–
Non-current portion	6.15% to 11.87%	2014 to 2024	85,820	N/A	N/A	–	N/A	N/A	–	N/A	N/A	–
			96,896			–			–			–

The Target Group leased certain of its containers and vehicles under finance leases which have remaining lease terms ranging from one to twelve years.

At the end of each of the Relevant Periods, the total future minimum lease payments receivable under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2012	2013	2014	2015	2012	2013	2014	2015
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
Amounts receivables:								
Within one year	19,975	–	–	–	11,076	–	–	–
In the second to fifth years	87,306	–	–	–	69,657	–	–	–
More than five years	28,851	–	–	–	16,163	–	–	–
	136,132	–	–	–	96,896	–	–	–
Future finance income	(39,236)	–	–	–				
Present value of minimum lease payment receivable	96,896	–	–	–				

The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments and there is no estimated unguaranteed residual value of the leased asset. Interest rates are fixed at the contract dates.

Finance lease receivables are secured over the containers leased. The Target Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. The lessee has an option to purchase the containers at the price stated in the lease contract at the end of the lease terms.

As at 31 December 2012, included in the Target Group's finance lease receivables is an amount due from a fellow subsidiary of the Target Group of US$5,702,000, which is repayable on credit terms similar to those offered to the major customers of the Target Group.

As at 31 December 2012, the Target Group's finance lease receivables from a fellow subsidiary and the largest third party debtors accounted for approximately 6% and 60% of total finance receivables, respectively.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	15,266	–	–	–
Prepayments	1,193	–	2	–
Other receivables	269	–	–	–
	16,728	–	2	–

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 90 days. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2012, the Target Group's trade receivables from fellow subsidiaries and the five largest third party debtors accounted for approximately 36% and 32% of total trade receivables respectively.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 month	8,184	–	–	–
1 to 2 months	6,324	–	–	–
2 to 3 months	623	–	–	–
More than 3 months	135	–	–	–
	15,266	–	–	–

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Neither past due nor impaired	14,061	–	–	–
Less than 1 month past due	1,186	–	–	–
1 to 3 months past due	17	–	–	–
More than 3 months but less than 12 months past due	2	–	–	–
	15,266	–	–	–

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2012, included in the Target Group's trade receivables are amounts due from the Target Group's fellow subsidiaries of US$5,435,000, which are repayable on credit terms similar to those offered to the major customers of the Target Group.

None of the above prepayments and other receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

18. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount due from the immediate holding company is unsecured, interest-free and repayable on demand.

19. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and repayable on demand.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Balances with subsidiaries are unsecured, interest-free and repayable on demand.

21. RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Restricted bank balances	4,347	–	–	–
Cash and bank balances	71,822	1	1	1

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and bank balances denominated in:				
Hong Kong dollar	57	1	1	1
Renminbi	6	–	–	–
United States dollar	71,759	–	–	–
	71,822	1	1	1

The restricted bank balances are held in designated bank accounts as guarantee deposits for bank loans. The restricted bank balances carry a market interest rate of 0.01% per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

22. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	597	–	–	–
Other payables	7,794	–	–	–
Accruals	108	1	–	–
Advance from customers	3,697	–	–	–
	12,196	1	–	–

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 3 months	597	–	–	–

At 31 December 2012, included in the Target Group's trade and other payables are amounts due to fellow subsidiaries and associates of US$915,000 and US$907,000, respectively.

Other payables are non-interest-bearing and have an average term of three months.

23. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2012			2013			2014			As at 30 September 2015		
	Effective interest rate (%)	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*	*Effective interest rate (%)*	*Maturity*	*US$'000*
Current												
Bank loans – secured	LIBOR+0.76 to 2.66	2013	179,320	N/A	N/A	–	N/A	N/A	–	N/A	N/A	–
Non-current												
Bank loans – secured	LIBOR+0.76 to 2.66	2015 to 2017	211,860	N/A	N/A	–	N/A	N/A	–	N/A	N/A	–
			391,180			–			–			–

Notes:

(a) Certain of the Target Group's bank loans are secured by containers with a carrying value of US$331,386,000 as at 31 December 2012 (note 13).

(b) All bank borrowings are in United States dollars.

24. DEFERRED TAX

The following is the deferred tax liabilities recognised and movements therein for the Relevant Periods:

	Accelerated tax depreciation	Undistributed earnings of PRC associates	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2012	8	(2,246)	(2,238)
Deferred tax credited/(charged) to profit or loss *(note 10)*	(32)	7	(25)
Exchange realignment	–	(6)	(6)
At 31 December 2012 and 1 January 2013	(24)	(2,245)	(2,269)
Deferred tax credited to profit or loss *(note 10)*	24	1,378	1,402
Exchange realignment	–	(36)	(36)
Disposal of subsidiaries and associates *(note 27)*	–	903	903
At 31 December 2013, 1 January 2014 31 December 2014, 1 January 2015 and 30 September 2015	–	–	–

25. SHARE CAPITAL

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised: *(note (i))*				
5,000,000,000 ordinary shares of HK$0.1 each *(note (ii))*	500,000	500,000	–	–
	US$'000	*US$'000*	*US$'000*	*US$'000*
	64,163	64,163	–	–
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid:				
1,400,000,000 ordinary shares	140,000	140,000	1,760,255	1,760,255
	US$'000	*US$'000*	*US$'000*	*US$'000*
	17,966	17,966	225,891	225,891

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Target Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any the members of the Target Company as a result of this transition.

A summary of movements in the Target Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium account	Total
		US$'000	*US$'000*	*US$'000*
At 1 January 2012, 31 December 2012, 1 January 2013, and 31 December 2013 and 1 January 2014	1,400,000,000	17,966	207,925	225,891
Transition to no-par value regime on 3 March 2014 *(note (a))*	–	207,925	(207,925)	–
At 31 December 2014, 1 January 2015 and 30 September 2015	1,400,000,000	225,891	–	225,891

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Target Company's share capital.

26. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

The capital reserves represent (i) a waiver of a loan of US$80,000,000 from CSHK to a subsidiary which is deemed to be a shareholders' contribution in a prior year; and (ii) a debit amount of US$125,889,000 as the difference between the Target Company's investment cost in Dong Fang International Investment Limited ("DFII") and the share capital of DFII acquired pursuant to a business combination under common control in a prior year.

(b) Target Company

	Share premium account	Retained profits/ (accumulated losses)	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2012	207,925	(59)	207,866
Loss and total comprehensive expense for the year	–	(11)	(11)
At 31 December 2012	207,925	(70)	207,855
Profit and total comprehensive income for the year	–	138,624	138,624
At 31 December 2013	207,925	138,554	346,479
Loss and total comprehensive expense for the year	–	(6)	(6)
Transition to no-par value regime	(207,925)	–	(207,925)
Interim dividend *(note 11)*	–	(138,166)	(138,166)
At 31 December 2014	–	382	382
Loss and total comprehensive expense for the period	–	(7)	(7)
At 30 September 2015	–	375	375

27. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

On 4 November 2013, the Target Company as the vendor and CSHK as the purchaser entered into a share transfer agreement, pursuant to which, the Target Company agreed to transfer its entire equity interest in DFII and its subsidiaries and associates in exchange for a consideration of US$364,514,000. The transaction was completed on 4 November 2013.

	Notes	*US$'000*
Net assets disposed of:		
Property, plant and equipment	*13*	522,595
Interests in associates		36,348
Finance lease receivables		119,692
Trade and other receivables		25,815
Amounts due from associates		22,333
Restricted bank balances		16,027
Cash and cash equivalents		68,850
Trade and other payables		(19,414)
Tax payables		(6,269)
Interest-bearing bank borrowings		(225,785)
Note payable		(193,983)
Deferred tax liabilities		(903)
		365,306
Release of exchange reserve		(7,505)
		357,801
Gain on disposal of subsidiaries and associates	*6*	6,713
		364,514
Satisfied by intercompany balance		364,514

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and associates is as follows:

	US$'000
Cash consideration	–
Cash and cash equivalents disposed of	(68,850)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries and associates	(68,850)

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets – Loans and receivables				
Finance lease receivables	96,896	–	–	–
Trade receivables	15,266	–	–	–
Other receivables	269	–	–	–
Amount due from immediate holding company	1	364,515	193,709	166,509
Amounts due from associates	5,902	–	–	–
Restricted bank balances	4,347	–	–	–
Cash and cash equivalents	71,822	1	1	1
	194,503	364,516	193,710	166,510
Financial liabilities – Amortised cost				
Trade payables	597	–	–	–
Other payables	7,794	1	–	–
Amounts due to fellow subsidiaries	–	70	16,403	8,273
Interest-bearing bank borrowings	391,180	–	–	–
	399,571	71	16,403	8,273

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets – Loans and receivables				
Other receivables	–	–	2	–
Amount due from immediate holding company	–	364,515	193,709	166,509
Amounts due from subsidiaries	–	–	32,639	59,839
Cash and cash equivalents	–	1	1	1
	–	364,516	226,351	226,349
Financial liabilities – Amortised cost				
Other payables	3	1	–	–
Amount due to a subsidiary	64	–	–	–
Amounts due to fellow subsidiaries	–	70	86	91
	67	71	86	91

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's financial instruments comprise financial lease receivables, trade and other receivables, amounts due from immediate holding company and associates, restricted bank balances, cash and cash equivalents, trade and other payables, amounts due to fellow subsidiaries and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Certain transactions of the Target Group are denominated in foreign currencies, which expose the Target Group to foreign currency risk. The Target Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain monetary assets are denominated in foreign currencies at the end of each of the Relevant Periods. The exposure in exchange rate risks mainly arises from fluctuations in the exchange rates of HK$ and RMB. The Target Group's currency risk exposure in relation to the monetary assets is expected to be minimal as HK$ is pegged to US$.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate cash and bank balances (note 21) and variable-rate interest bearing bank borrowings (note 23). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming that these financial instruments outstanding at the end of each of the Relevant Periods were outstanding for the whole year/period. A 10 basis point increases or decreases for bank balances and 50 basis points for bank borrowings are used, which represent management's assessment of the reasonably possible change in interest rates for the Relevant Periods.

If interest rates on interest-bearing bank balances and bank borrowings had been 10 and 50 basis points higher/lower, respectively, and all other variables were held constant, the Target Group's profit for the year ended 31 December 2012 would decease/increase by US$1,573,000.

Credit risk

At the end of the each of the Relevant Periods, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

China Shipping Container Lines (Hong Kong) Co., Limited ("CSCLHK"), a fellow subsidiary of the Target Company and its immediate holding company is a company listed on The Stock Exchange of Hong Kong Limited, accounted for approximately 10% of the Target Group's aggregate trade and finance lease receivables as at 31 December 2012. Other than CSCLHK, trade and finance lease receivables from the five largest third party debtors and the single largest debtor accounted for approximately 81% and 53% of the Target Group's aggregate trade and finance lease receivables as at 31 December 2012 respectively. These major customers are shipping liners with good reputation. The Target Group had no trade receivables after the disposal of subsidiaries and associates during the year ended 31 December 2013.

In order to minimise the credit risk, management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than the concentration of credit risk on trade and finance lease receivables as mentioned above and on liquid funds which are deposited with several banks with good reputation, the Target Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Target Group and the Target Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Target Group's and the Target Company's operations and mitigate the effects of fluctuations in cash flows.

The Target Group's and the Target Company's financial liabilities are repayable within 30 days. The contractual maturity of these financial liabilities is based on the earliest day on which the Target Group and the Target Company can be required to pay their carrying amounts.

30. OPERATING LEASES

The Target Group as lessor

The Target Group leases its containers (note 13) under operating lease arrangements, with leases negotiated for terms ranging from one to twelve years.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	63,526	–	398	2,191
In the second to fifth years, inclusive	131,266	–	9,562	9,562
Over five years	5,933	–	13,945	12,152
	200,725	–	23,905	23,905

Apart from the above, on 4 July 2014, the Target Group entered into non-cancellable operating lease agreements with a fellow subsidiary, with lease terms of ten years for each of the vessels under construction commencing from the date specified in the vessel hand-over documents to be signed by both owner and charterer. At 31 December 2014 and 30 September 2015, the Target Group had future minimum lease receivables under these operating lease agreements amounting to US$95,620,000. As the vessels are under construction, and it is not practicable to provide a reasonable estimate of the future completion date of the vessels, the relevant timing of these lease receivables cannot be estimated, except for US$23,905,000 above in relation to a vessel under construction as at 30 September 2015 which was completed in October 2015.

The Target Group as lessee

The Target Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the end of each of the Relevant Periods, the Target Group had future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	50	–	–	–
In the second to fifth years, inclusive	30	–	–	–
	80	–	–	–

31. COMMITMENT

In addition to the operating lease commitments detailed in note 30 above, the Target Group had the following capital commitments:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Contracted, but not provided for:				
Containers	30,638	–	–	–
Vessels under construction	–	–	59,840	40,800

32. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this Financial Information, the Target Group had the following significant transactions with related parties during the Relevant Periods and the nine months ended 30 September 2014:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(Unaudited)	
Immediate holding company					
Rental expenses and building management fee	655	679	–	–	–
Associates					
Delivery fees of containers to associates	44	706	–	–	–
Technical transformation of containers to associates	906	–	–	–	–
Purchase of containers from associates	81	–	–	–	–

(a) Related party transactions

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(Unaudited)	
Fellow subsidiaries					
Purchase of containers from fellow subsidiaries	14,309	83,549	–	–	–
Leasing income recognised from fellow subsidiaries:					
– on containers	32,729	21,116	–	–	–
– on vehicles	2,073	1,544	–	–	–
Compensation from loss of containers	23	506	–	–	–
Information system implementation fee to fellow subsidiaries	71	–	–	–	–
Instalment payment for the construction of vessels	–	–	48,960	–	19,040
Purchase of information systems from fellow subsidiaries	270	779	–	–	–

(b) Outstanding balances with related parties:

Details of the balances with the immediate holding company and associates are set out in the consolidated statements of financial position and in notes 18 and 19.

Details of the balances with fellow subsidiaries are set out in the consolidated statements of financial position and in notes 15, 16 and 17.

(c) Compensation of key management personnel

Other than those disclosed in note 8, no remuneration was paid to the Directors, being the key management personnel, during the Relevant Periods and the nine months ended 30 September 2014.

33. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

For the year ended 31 December 2013, the consideration receivable from CSHK in relation to the disposal of DFII of US$364,514,000 was settled through the intercompany balance with the immediate holding company (note 27).

For the year ended 31 December 2014, interim dividend of US$138,166,000 to CSHK was settled through the intercompany balance with CSHK.

For the year ended 31 December 2014 and the nine months ended 30 September 2015, items of plant and equipment of aggregate amounts of US$16,320,000 and US$8,160,000, respectively, were purchased from a fellow subsidiary and settled through the intercompany balance with that fellow subsidiary.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Leasing Co., Ltd ("the Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014 and 30 September 2015, the statements of financial position of the Target Company as at 31 December 2013, 2014 and 30 September 2015, together with the notes thereto (the "Financial Information") and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), for inclusion in the circular of China Shipping Container Lines Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of a 100% equity interest of the Target Group (the "Acquisition") by the Company.

The Target Company was established in the Peoples' Republic of China (the "PRC") as a company with limited liability on 29 August 2013.

The statutory financial statements of the Target Company for the years ended 31 December 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards for Business Enterprises and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合夥)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Group (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2013, 2014 and 30 September 2015 and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

1. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	–	–	–	131,664
Cost of sales	*6*	–	–	–	(26,138)
Gross profit		–	–	–	105,526
Other income and gains	*4*	4,001	13,039	10,704	3,310
Administrative expenses		(541)	(1,666)	–	(34,469)
Profit before tax	*5*	3,460	11,373	10,704	74,367
Income tax expense	*7*	(865)	(2,860)	(2,676)	(18,802)
Profit and total comprehensive income for the year/period		2,595	8,513	8,028	55,565
Attributable to:					
Owners of the parent		2,595	8,513	8,028	55,565

Consolidated statements of financial position

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	8	–	206	1,199
Loans and receivables	10	–	–	1,824,680
Prepayments, deposits and other receivables	11	–	7,986	81,935
Deferred tax assets	16	–	–	2,909
Total non-current assets		–	8,192	1,910,723
CURRENT ASSETS				
Prepayments, deposits and other receivables	11	–	294	1,337
Current portion of loans and receivables	12	–	–	487,822
Due from related parties	21	–	–	117
Cash and cash equivalents	13	504,001	508,505	881,194
Total current assets		504,001	508,799	1,370,470
CURRENT LIABILITIES				
Other payables and accruals	14	541	3,023	58,531
Due to related parties	21	–	–	820,100
Income tax payables		865	2,860	10,521
Interest-bearing bank and other borrowings	15	–	–	154,208
Total current liabilities		1,406	5,883	1,043,360
NET CURRENT ASSETS		502,595	502,916	327,110
TOTAL ASSETS LESS CURRENT LIABILITIES		502,595	511,108	2,237,833
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	15	–	–	501,002
Long term payables	17	–	–	170,158
Total non-current liabilities		–	–	671,160
Net assets		502,595	511,108	1,566,673
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	18	500,000	500,000	1,500,000
Reserves	19	260	1,111	1,111
Retained earnings		2,335	9,997	65,562
Total equity		502,595	511,108	1,566,673

Consolidated statements of financial position

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*8*	–	206	1,194
Loans and receivables	*10*	–	–	1,824,680
Investments in subsidiary	*9*	–	–	50,000
Prepayments, deposits and other receivables	*11*	–	7,986	81,935
Deferred tax assets	*16*	–	–	2,909
Total non-current assets		–	8,192	1,960,718
CURRENT ASSETS				
Prepayments, deposits and other receivables	*11*	–	294	1,334
Current portion of loans and receivables	*12*	–	–	487,822
Due from related parties	*21*	–	–	117
Cash and cash equivalents	*13*	504,001	508,505	831,320
Total current assets		504,001	508,799	1,320,593
CURRENT LIABILITIES				
Other payables and accruals	*14*	541	3,023	58,534
Due to related parties	*21*	–	–	820,100
Income tax payable		865	2,860	10,521
Interest-bearing bank and other borrowings	*15*	–	–	154,208
Total current liabilities		1,406	5,883	1,043,363
NET CURRENT ASSETS		502,595	502,916	277,230
TOTAL ASSETS LESS CURRENT LIABILITIES		502,595	511,108	2,237,948
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*15*	–	–	501,002
Long term payables	*17*	–	–	170,158
Total non-current liabilities		–	–	671,160
Net assets		502,595	511,108	1,566,788
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	*18*	500,000	500,000	1,500,000
Reserves	*19*	260	1,111	1,111
Retained earnings	*19*	2,335	9,997	65,677
Total equity		502,595	511,108	1,566,788

Consolidated statements of changes in equity

	Attributable to owners			
	Paid-in capital	**Statutory surplus reserves**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 18)	*(note 19)*		
At 29 August 2013	–	–	–	–
Addition of paid-in capital	500,000	–	–	500,000
Profit for the year	–	260	2,335	2,595
At 31 December 2013 and 1 January 2014	500,000	260	2,335	502,595
Profit for the year	–	851	7,662	8,513
At 31 December 2014 and 1 January 2015	500,000	1,111	9,997	511,108
Addition of paid-in capital	1,000,000	–	–	1,000,000
Profit for the period	–	–	55,565	55,565
At 30 September 2015	1,500,000	1,111	65,562	1,566,673

These reserve accounts comprise the reserves of RMB259,533, RMB1,110,801 and RMB1,110,801 as at 31 December 2013, 31 December 2014 and 30 September 2015, respectively, in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	From 29 August 2013 (date of incorporation) to 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		3,460	11,373	10,704	74,367
Adjustments for:					
Provision	5	–	–	–	11,635
Depreciation of property, plant and equipment	5	–	–	–	95
Net Interest expense/(income)		(4,001)	(13,039)	(10,704)	16,063
		(541)	(1,666)	–	102,160
Increase in prepayments, deposits and other receivables		–	(294)	–	(1,043)
Increase in deferred tax assets		–	–	–	(2,909)
Increase in other payables and accruals		541	2,482	–	55,508
Increase in amounts due from related parties	21	–	–	–	(117)
Increase in amounts due to related parties	21	–	–	–	36
Cash generated from operations		–	522	–	153,635
Interest received/(paid)		4,001	13,039	10,704	(11,473)
Income tax paid		–	(865)	–	(14,050)
Net cash flows from operating activities		4,001	12,696	10,704	128,112
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment and other long-term assets for finance lease		–	(8,192)	–	(2,327,680)
Investment in trusted products	12	–	–	–	(20,000)
Proceeds from the principal of loans and receivables		–	–	–	136,096
Net cash flows used in investing activities		–	(8,192)	–	(2,211,584)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans		–	–	–	706,700
Repayment of bank loans		–	–	–	(51,490)
Proceeds from paid-in capital	18	500,000	–	–	1,000,000
Receipt of loans from related parties		–	–	–	1,270,064
Repayments to loans from related parties		–	–	–	(450,000)
Interest paid		–	–	–	(14,720)
Payment of bank charges		–	–	–	(4,994)
Proceeds from other financing activities		–	–	–	601
Net cash flows from financing activities		500,000	–	–	2,456,161
NET INCREASE IN CASH AND CASH EQUIVALENTS		504,001	4,504	10,704	372,689
Cash and cash equivalents at beginning of year		–	504,001	504,001	508,505
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	13	504,001	508,505	514,705	881,194

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

China Shipping Leasing Co., Ltd (the "Target Company") is a limited liability company which was incorporated in Shanghai on 29 August 2013. The registered office of the Target Company is Room 3E, No. 450, Fushan Road, Pilot Free Trade Zone, Shanghai, the People's Republic of China.

The Target Company and its subsidiary (hereinafter collectively referred to as the "Target Group") are principally engaged in the provision of financing services to its customers for a wide array of assets under finance lease arrangements, and operating lease arrangements, the provision of leasing advisory services, and the provision of other services as approved by the Shanghai Administration of Industry & Commerce in Mainland China during the year.

In the opinion of the directors, the ultimate holding company of the Target Company is China Shipping (Group) Company, which is incorporated in the PRC.

As at the date of this report, the Target Company had direct interests in its subsidiary which is a private limited liability company, the particulars of which are set out below:

Company	Place and date of registration and place of business	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Haihui Commercial Factoring (Tianjin) Co., Ltd.	The PRC, 4 March 2015	RMB50 million	100	–	Commercial Factoring

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Comparative Financial Information.

Basis of consolidation

This consolidated Financial Information incorporates the financial statements of the Target Company and its subsidiary for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

Amendments to HKAS 1	*Disclosure Initiative*[1]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Group anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Group expects to adopt HKFRS 9 from 1 January 2018. The Target Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Target Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Target Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Target Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Target Group has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Target Group's statements of profit or loss to the extent of dividends received and receivable. The Target Group's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of income or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Target Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary of fellow subsidiary of the other entity);
- (iii) the entity and the Target Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	**Annual depreciation rate**
Office equipment	19-32%
Motor vehicles	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are unaudited, and adjusted if appropriate, at least at each financial year end.

Leasehold improvement is depreciated on the straight-line basis over the shorter of the lease term or beneficial life of the leased asset.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Target Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Target Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue in to the statement of profit or loss. The loss arising from impairment is recognised in to the statement of profit or loss in administrative expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Target Group's continuing involvement in the asset. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in to the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Target Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, plus directly attributable transaction costs.

The Target Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in cost of sales in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is unaudited at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

The employees of the Target Group are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of a finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(b) from the rendering of services, income is recognised when the services have been rendered and the revenue can be reasonably estimated and deferred revenue is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each reporting date and recognised as income when the services have been rendered and the revenue can be reasonably estimated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Estimation uncertainty

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that probable to be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgement and estimates. The management measures and monitors the asset quality of the lease receivables portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. And thereon, for the first two categories, i.e., Pass and Special Mention, the lease receivables are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while lease receivables in the remaining 3 categories i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such lease receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back in the period in which such estimate is changed.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue				
Financial leasing income	–	–	–	51,542
Service fee income	–	–	–	80,122
	–	–	–	131,664
Other income and gains				
Bank interest income	4,001	13,039	10,704	3,310

5. PROFIT BEFORE TAX

The Target Group's profit before tax from continuing operations is arrived at after charging:

	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	Nine months ended 30 September 2015
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation	–	–	–	95
Rental expenses	–	–	–	2,379
Employee benefit expense (including directors' remuneration)	–	865	–	11,406
– Wages and salaries	–	865	–	8,571
– Pension scheme contributions	–	–	–	1,802
– Other employee benefits	–	–	–	1,033

	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	2015
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Impairment of loans and receivables	–	–	–	11,635
Entertainment fee	–	48	–	2,213
Office fees	33	143	–	25
Communication expenses	–	–	–	121
Other expenses	508	610	–	3,502
Business travelling expenses	–	–	–	2,428
Bank charges	–	–	–	665

6. COST OF SALES

	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	2015
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Taxes	–	–	–	2,436
Interest on bank loans repayable within 5 years	–	–	–	6,933
Interest on loans due to related parties	–	–	–	12,440
Bank commission charges	–	–	–	4,329
Total	–	–	–	26,138

7. INCOME TAX EXPENSE

The major components of income tax expense of the Target Group are as follows:

	From 29 August 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2014	2015
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current – Mainland China				
Charge for the year/period	865	2,860	2,676	21,711
Deferred tax *(Note 16)*	–	–	–	(2,909)
Total tax charge for the year/period	865	2,860	2,676	18,802

Corporate Income Tax ("CIT")

The income tax provision of the Target Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The Target Group was entitled to a CIT rate of 25% and the CIT is provided at the applicable rate of the profits for the purpose of Mainland China statutory financial reporting, adjusted for those items which are not assessable or deductible.

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rate for the jurisdiction in which the Target Company and its subsidiary are domiciled to the tax charge at the effective tax rate is as follows:

	From 29 August 2013 (date of incorporation) to 31 December	**Year ended 31 December**	**Nine months ended 30 September**	
	2013	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	3,460	11,373	10,704	74,367
Tax at the statutory income tax rate	865	2,843	2,676	18,592
Adjustments in respect of current tax of prior years	–	–	–	1
Expenses not deductible for tax	–	17	–	209
Income tax expense reported in the consolidated statement of profit or loss	865	2,860	2,676	18,802

8. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2014			
At 1 January 2014:			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 January 2014, net of accumulated depreciation	–	–	–
Additions	206	–	206
At 31 December 2014, net of accumulated depreciation	206	–	206
At 31 December 2014:			
Cost	206	–	206
Accumulated depreciation	–	–	–
Net carrying amount	206	–	206
At 30 September 2015			
At 1 January 2015:			
Cost	206	–	206
Accumulated depreciation	–	–	–
Net carrying amount	206	–	206
At 1 January 2015, net of accumulated depreciation	206	–	206
Additions	632	456	1,088
Depreciation provided during the period	(95)	–	(95)
At 30 September 2015 net of accumulated depreciation	743	456	1,199
At 30 September 2015:			
Cost	838	456	1,294
Accumulated depreciation	(95)	–	(95)
Net carrying amount	743	456	1,199

Target Company

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2014			
At 1 January 2014:			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 January 2014, net of accumulated depreciation	–	–	–
Additions	206	–	206
At 31 December 2014, net of accumulated depreciation	206	–	206
At 31 December 2014:			
Cost	206	–	206
Accumulated depreciation	–	–	–
Net carrying amount	206	–	206
At 30 September 2015			
At 1 January 2015:			
Cost	206	–	206
Accumulated depreciation	–	–	–
Net carrying amount	206	–	206
At 1 January 2015, net of accumulated depreciation	206	–	206
Additions	627	456	1,083
Depreciation provided during the period	(95)	–	(95)
At 30 September 2015, net of accumulated depreciation	738	456	1,194
At 30 September 2015:			
Cost	833	456	1,289
Accumulated depreciation	(95)	–	(95)
Net carrying amount	738	456	1,194

9. INVESTMENT IN SUBSIDIARY

Target Company

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Unlisted shares, at cost	–	–	50,000

Particulars of the subsidiary are as follows:

Company name	Place and date of registration and place of business	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Target Company	Principal activities
Haihui Commercial Factoring (Tianjin) Co., Ltd. (海匯商業保理(天津)有限公司)	PRC 4 March 2015	RMB50 million	100%	Commercial factoring

10. LOANS AND RECEIVABLES

Target Group & Target Company

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Trusted products *(note 12)*	–	–	20,000
Current portion of lease receivables *(note 12)*	–	–	467,822
Lease receivables due after 1 year	–	–	1,824,680
	–	–	2,312,502

(a) Loans and receivables by nature

Target Group & Target Company

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Lease receivables	–	–	2,798,381
Less: Unearned finance income	–	–	(494,244)
Net lease receivables	–	–	2,304,137
Trusted products *(note 12)*	–	–	20,000
Subtotal of loans and receivables	–	–	2,324,137
Provision for lease receivables	–	–	(11,635)
	–	–	2,312,502

(b) The table below illustrates the gross and net amounts of lease receivables the Target Group expects to receive in the following three consecutive accounting years:

Target Group & Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Lease receivables:			
Within 1 year	–	–	623,722
1 to 2 years	–	–	616,310
2 to 3 years	–	–	575,555
3 years and beyond	–	–	982,794
	–	–	2,798,381

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Net lease receivables:			
Within 1 year	–	–	467,822
1 to 2 years	–	–	480,204
2 to 3 years	–	–	479,283
3 years and beyond	–	–	876,828
	–	–	2,304,137

(c) Change in provision for lease receivables

Target Group & Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	–	–	–
Charge for the year/period	–	–	11,635
At end of year	–	–	11,635

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Target Group

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Leased assets*	–	7,986	81,935
Current assets			
Prepayments	–	294	47
Other receivables	–	–	1,290
	–	294	1,337

Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Leased assets*	–	7,986	81,935
Current assets			
Prepayments	–	294	47
Other receivables	–	–	1,287
	–	294	1,334

* The leased assets arise from the situations where the Target Group and the Target Company had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Target Group and the Target Company records these paid amounts under leased assets among its non-current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Target Group and the Target Company ceases to recognise the amount relating to the leased assets and recognise the lease receivables due under the lease contract.

12. CURRENT PORTION OF LOANS AND RECEIVABLES

Target Group & Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trusted products*	–	–	20,000
Current portion of lease receivables	–	–	467,822
	–	–	487,822

* Trusted products represent the tranche A investment in a trust project issued by CITIC Trust Co., Ltd. on 30 July 2015 with expect return of 5.8%. The maturity date of the investment is 31 December 2015.

13. CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	504,001	508,505	881,194

Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	504,001	508,505	831,320

Cash at banks earns interest at either fixed or floating rates based on daily bank deposit rates.

14. OTHER PAYABLES AND ACCRUALS

Target Group

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salary payables	–	29	193
Advances from customers	–	–	140
Other tax payables	–	334	3,426
Interest payables	–	–	4,590
Other payables	541	2,660	50,182
	541	3,023	58,531

Target Company

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salary payables	–	29	193
Advances from customers	–	–	140
Other tax payables	–	334	3,429
Interest payables	–	–	4,590
Other payables	541	2,660	50,182
	541	3,023	58,534

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

Target Group & Target Company

	As at 30 September 2015		
	Effective interest rate *(%)*	**Maturity**	*RMB'000*
Current			
Bank loans – unsecured	4.00-4.68	2016	154,208
Non-current			
Bank loans – unsecured	4.00-4.68	2017-18	501,002
Total			655,210

The Target Group's fellow subsidiary,China Shipping Investment Co., Ltd., has guaranteed certain bank loans made to the Target Group up to RMB500,000,000 (2013&2014: Nil) as of 30 September 2015, of which RMB206,700,000 has been utilised. The duration of the guarantee was from 6 July 2015 to 6 July 2018.

16. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year/period are as follows:

Target Group & Target Company

Deferred tax liabilities

	Lease deposits *RMB'000*
Gross deferred tax liabilities at 31 December 2014	–
Charged to the statement of profit or loss during the period	8,887
Gross deferred tax liabilities at 30 September 2015	8,887

Deferred tax assets

	Allowances for impairment losses *RMB'000*	**Unearned finance income** *RMB'000*	**Total** *RMB'000*
Gross deferred tax assets at 31 December 2014	–	–	–
Credited to the statement of profit or loss during the period	2,909	8,887	11,796
Gross deferred tax assets at 30 September 2015	2,909	8,887	11,796

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Target Group and Target Company for financial reporting purposes:

	As at 30 September 2015
	RMB'000
Net deferred tax assets recognised in the statement of financial position	2,909

17. LONG TERM PAYABLES

Long term payables represent deposits for finance lease contract received from customers due after one year.

18. PAID-IN CAPITAL

The registered and paid-in capital of the Target Group and the Target Company is as follows:

	As at 31 December		**As at 30 September**
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
China Shipping (Group) Company	500,000	500,000	1,500,000

19. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for the current and prior period/years are presented in the consolidated statements of changes in equity.

Pursuant to the relevant PRC rules and regulations, the Target Company and its subsidiary which are domestic enterprises as mentioned in Note 1 of this report is required to transfer no less than 10% of its profit after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividends to shareholders.

(b) Target Company

	Statutory surplus reserves	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 29 August 2013	–	–	–
Profit for the period	260	2,335	2,595
At 31 December 2013 and 1 January 2014	260	2,335	2,595
Profit for the year	851	7,662	8,513
At 31 December 2014 and 1 January 2015	1,111	9,997	11,108
Profit for the period	–	55,680	55,680
At 30 September 2015	1,111	65,677	66,788

20. COMMITMENTS

The Target Group and the Target Company had the following capital commitments at the end of the reporting period:

Target Group & Target Company

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Contracted, but not provided for:			
Plant and machinery	–	–	102,262

21. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions in addition to those disclosed elsewhere in the financial statements.

(a) Related party transactions

Target Group & Target Company

	From 29 August 2013 (date of incorporation) to 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
Ultimate holding company:				
Borrowing from ultimate holding company	–	–	–	770,000
Interest expense paid to ultimate holding company	–	–	–	10,997
Interest income received from ultimate holding company	–	–	–	3,240
Fellow subsidiary:				
Borrowing from fellow subsidiaries	–	–	–	50,000
Interest expense paid to fellow subsidiaries	–	–	–	1,386
Deposit paid to fellow subsidiaries	–	–	–	117
Network fee paid to fellow subsidiaries	–	–	–	291

(b) Balances with related parties

Target Group & Target Company

Due from related parties

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Other receivable from fellow subsidiaries	–	–	117

Due to related parties

	Notes	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Ultimate holding company:				
Borrowing from ultimate holding company	*(iii)*	–	–	770,000
Fellow subsidiary:				
Borrowing from fellow subsidiaries		–	–	50,000
Interest payable paid to fellow subsidiaries		–	–	64
Network fee payable paid to fellow subsidiaries	*(ii)*	–	–	36

(c) Compensation of key management personnel of the Target Group:

	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 September 2015 RMB'000
Short term employee benefits	–	–	701

Notes:

(i) The Target Group's fellow subsidiary, China Shipping Investment Co., Ltd., has guaranteed certain bank loans made to the Target Group up to RMB500,000,000 (2013 & 2014: Nil) as of 30 September 2015, of which RMB206,700,000 has been utilised. The duration of the guarantee was from 6 July 2015 to 6 July 2018.

(ii) The purchases from the fellow subsidiaries were made according to the published prices and conditions offered by the fellow subsidiaries to their major customers.

(iii) As disclosed in the consolidated statement of financial position, the Target Group and the Target Company had an outstanding balance due to its ultimate holding company of RMB770,000,000 (2013 & 2014: Nil) as at the end of the reporting period. These balances are loans from related parties, bearing interest at 3.2%-3.3%, and the repayment term is March and May 2016.

22. FINANCIAL INSTRUMENTS BY CATEGORY

Target Group

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

As at 31 December 2013

Financial assets:

	Loans and receivables *RMB'000*
Cash and cash equivalents	504,001
	504,001

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities include in other payables and accruals	541
	541

As at 31 December 2014

Financial assets:

	Loans and receivables *RMB'000*
Cash and cash equivalents	508,505
	508,505

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	2,660
	2,660

As at 30 September 2015

Financial assets:

	Loans and receivables *RMB'000*
Loans and receivables	1,824,680
Current portion of loans and receivables	487,822
Financial assets included in prepayments, deposits and other receivables	1,290
Due from related parties	117
Cash and cash equivalents	881,194
	3,195,103

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	54,772
Due to related parties	820,100
Interest-bearing bank and other borrowings	655,210
Long term payables	170,158
	1,700,240

Target Company

As at 31 December 2013

Financial assets:

	Loans and receivables *RMB'000*
Cash and cash equivalents	504,001
	504,001

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities Included in other payables and accruals	541
	541

As at 31 December 2014

Financial assets:

	Loans and receivables *RMB'000*
Cash and cash equivalents	508,505
	508,505

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	2,660
	2,660

As at 30 September 2015

Financial assets:

	Loans and receivables *RMB'000*
Loans and receivables	1,824,680
Current portion of loans and receivables	487,822
Financial assets included in prepayments, deposits and other receivables	1,287
Due from related parties	117
Cash and cash equivalents	831,320
	3,145,226

Financial liabilities:

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	54,772
Due to related parties	820,100
Interest-bearing bank and other borrowings	655,210
Long term payables	170,158
Total financial liabilities	1,700,240

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, due from related parties, financial liabilities included in other payables and accruals, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments. The loans and receivables and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to floating rate.

The fair values of the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and fair values of those financial liabilities are not significant.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

A principal part of the Target Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Target Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Target Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

Target Group

	Increase/ (decrease) in basis point	**(decrease) in profit before tax** *RMB'000*
Year ended 31 December 2013		
Increase	100	(0)
Decrease	(100)	0
Year ended 31 December 2014		
Increase	100	(0)
Decrease	(100)	0
Nine months ended 30 September 2015		
Increase	100	(3,280)
Decrease	(100)	3,280

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Target Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Target Group's assets and liabilities:

Target Group

	As at 31 December 2013					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	504,001	–	–	–	–	504,001
Total	504,001	–	–	–	–	504,001
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	541	–	–	–	–	541
Total	541	–	–	–	–	541
Exposure to interest sensitivity	503,460	–	–	–	–	503,460

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Target Group's assets and liabilities:

Target Group

	As at 31 December 2014					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	508,505	–	–	–	–	508,505
Total	508,505	–	–	–	–	508,505
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	2,660	–	–	–	–	2,660
Total	2,660	–	–	–	–	2,660
Exposure to interest sensitivity	505,845	–	–	–	–	505,845

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Target Group's assets and liabilities:

Target Group

	As at 30 September 2015					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Loans and receivables	–	1,824,680	–	–	–	1,824,680
Current portion of loans and receivables	–	487,822	–	–	–	487,822
Financial assets included in prepayments, deposits and other receivables	1,290	–	–	–	–	1,290
Due from related parties	117	–	–	–	–	117
Cash and cash equivalents	881,194	–	–	–	–	881,194
Total	882,601	2,312,502	–	–	–	3,195,103
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	54,772	–	–	–	–	54,772
Due to related parties	–	–	820,100	–	–	820,100
Interest-bearing bank and other borrowings	–	655,210	–	–	–	655,210
Long term payables	–	–	–	170,158	–	170,158
Total	54,772	655,210	820,100	170,158	–	1,700,240
Exposure to interest sensitivity	827,829	1,657,292	(820,100)	(170,158)	–	1,494,863

Target Company

	As at 31 December 2013					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	504,001	–	–	–	–	504,001
Total	504,001	–	–	–	–	504,001
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	541	–	–	–	–	541
Total	541	–	–	–	–	541
Exposure to interest sensitivity	503,460	–	–	–	–	503,460

	As at 31 December 2014					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	508,505	–	–	–	–	508,505
Total	508,505	–	–	–	–	508,505
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	2,660	–	–	–	–	2,660
Total	2,660	–	–	–	–	2,660
Exposure to interest sensitivity	505,845	–	–	–	–	505,845

	As at 30 September 2015					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Loans and receivables	–	1,824,680	–	–	–	1,824,680
Current portion of loans and receivables	–	487,822	–	–	–	487,822
Financial assets included in prepayments, deposits and other receivables	1,287	–	–	–	–	1,287
Due from related parties	117	–	–	–	–	117
Cash and cash equivalents	831,320	–	–	–	–	831,320
Total	832,724	2,312,502	–	–	–	3,145,226
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	54,772	–	–	–	–	54,772
Due to related parties	–	–	820,100	–	–	820,100
Interest-bearing bank and other borrowings	–	655,210	–	–	–	655,210
Long term payables	–	–	–	170,158	–	170,158
Total	54,772	655,210	820,100	170,158	–	1,700,240
Exposure to interest sensitivity	777,952	1,657,292	(820,100)	(170,158)	–	1,444,986

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Target Group enters into transactions only with the recognised and reputable third parties. In accordance with the policy of the Target Group, the Target Group examines and verifies the credit risk of all customers that the Target Group has credit transactions with. Besides, the Target Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Target Group include cash and bank deposits, financial assets included in prepayments, deposits and other receivables, receivable investments and due from related parties. The credit risk of these financial assets arises from counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Target Group are mainly located in Mainland China. Lessees of the Target Group are from different industries as follows:

		As at 31 December				As at 30 September	
	Notes	**2013**	%	**2014**	%	**2015**	%
		RMB'000		*RMB'000*		*RMB'000*	
Lease receivables:							
Shipping		–	–	–	–	243,208	11
Education		–	–	–	–	856,476	37
Healthcare		–	–	–	–	202,382	9
Education		–	–	–	–	1,002,071	43
		–	–	–	–	2,304,137	100
Less: Impairment provision on lease receivables		–	–	–	–	11,635	–
Net		–	–	–	–	2,292,502	–

As the customers of the Target Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Target Group.

The quantitative data of exposure to credit risk arising from lease receivables and other receivables are set out in Note 10, Note 11 and Note 12, respectively.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Target Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and in liquidity of the Target Group, maintaining an efficient internal fund transfer mechanism.

The tables below summarise the maturity profile of the Target Group's financial assets and liabilities based on the contractual undiscounted cash flows:

Target Group

	As at 31 December 2013					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	504,001	–	–	–	–	504,001
Total	504,001	–	–	–	–	504,001
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	541	–	–	–	–	541
Total	541	–	–	–	–	541

	As at 31 December 2014					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	508,505	–	–	–	–	508,505
Total	508,505	–	–	–	–	508,505
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	2,660	–	–	–	–	2,660
Total	2,660	–	–	–	–	2,660

The tables below summarise the maturity profile of the Target Group's financial assets and liabilities based on the contractual undiscounted cash flows:

Target Group

	As at 30 September 2015					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Loans and receivables	–	–	–	2,174,659	–	2,174,659
Current portion of loans and receivables	–	175,931	467,791	–	–	643,722
Financial assets include in prepayments, deposits and other receivables	1,290	–	–	–	–	1,290
Due from related parties	117	–	–	–	–	117
Cash and cash equivalents	881,194	–	–	–	–	881,194
Total	882,601	175,931	467,791	2,174,659	–	3,700,982
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	54,772	–	–	–	–	54,772
Due to related parties	–	651	843,297	–	–	843,948
Interest-bearing bank and other borrowings	–	57,274	200,744	588,017	–	846,035
Long term payables	–	–	–	209,818	–	209,818
Total	54,772	57,925	1,044,041	797,835	–	1,954,573

Target Company

	As at 31 December 2013					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	504,001	–	–	–	–	504,001
Total	504,001	–	–	–	–	504,001
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	541	–	–	–	–	541
Total	541	–	–	–	–	541

	As at 31 December 2014					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Cash and cash equivalents	508,505	–	–	–	–	508,505
Total	508,505	–	–	–	–	508,505
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	2,660	–	–	–	–	2,660
Total	2,660	–	–	–	–	2,660

	As at 30 September 2015					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL ASSETS:						
Loans and receivables	–	–	–	2,174,659	–	2,174,659
Current portion of loans and receivables	–	175,931	467,791	–	–	643,722
Financial assets included in prepayments, deposits and other receivables	1,287	–	–	–	–	1,287
Due from related parties	117	–	–	–	–	117
Cash and cash equivalents	831,320	–	–	–	–	831,320
Total	832,724	175,931	467,791	2,174,659	–	3,651,105
FINANCIAL LIABILITIES:						
Financial liabilities included in other payables and accruals	54,772	–	–	–	–	54,772
Due to related parties	–	651	843,297	–	–	843,948
Interest-bearing bank and other borrowings	–	57,274	200,744	588,017	–	846,035
Long term payables	–	–	–	209,818	–	209,818
Total	54,772	57,925	1,044,041	797,835	–	1,954,573

Capital management

The primary objective of the Target Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes other payables and accruals, due to related parties, interest-bearing bank and other borrowings and long term payables. The gearing ratios as at each of the reporting dates during the year are as follows:

Target Group

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	541	3,023	58,531
Due to related parties	–	–	820,100
Interest-bearing bank and other borrowings	–	–	655,210
Long term payables	–	–	170,158
Less: Cash and cash equivalents	504,001	508,505	881,194
Net debt	(503,460)	(505,482)	822,805
Total equity	502,595	511,108	1,566,673
Total equity plus net debt	(865)	5,626	2,389,478
Gearing ratio	N/A	N/A	34%

The primary objective of the Target Group is to ensure that it complies with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Target Group aforementioned. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005 and other relevant laws and regulations, the Target Group has set up appropriate business development and capital management programs and established a comprehensive evaluation system. It actively adjusts the capital structure in light of changes in the market and the risks being confronted by adjusting its dividends policy or financing channels. During the year, there were no significant changes on the policies or processes for managing the capital of the Target Group.

In accordance with the requirements of the MOFCOM aforementioned, the Target Group should maintain its assets at risk within 10 times of its equity. The calculations of the ratios of assets at risk to equity as at each of the reporting dates are as follows:

Target Group

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	504,001	516,991	3,281,193
Less: Cash and cash equivalents	(504,001)	(508,505)	(881,194)
Total assets at risk	–	8,486	2,399,999
Equity	502,595	511,108	1,566,673
Ratio of assets at risk to equity	–	0.02	1.53

25. EVENTS AFTER THE RELEVANT PERIODS

To the date of this report, no material subsequent event requiring disclosure occurred.

26. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Investment Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014 and 30 September 2015 and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the nine months ended 30 September 2014 (the "Interim Comparative Information"), prepared on the basis of preparation in note 2.1 of Section II below, for inclusion in the circular of China Shipping Container Lines Co., Ltd. (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company.

The Target Company was established in the People's Republic of China (the "PRC") as a company with limited liability on 26 June 1998.

The statutory financial statements of the Target Company for the years ended 31 December 2012, 2013 and 2014 have been prepared by the Target Company in accordance with Accounting Standards of Business Enterprises of China ("PRC GAAP") and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合伙)") registered in the PRC.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with PRC GAAP. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") for each of the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2012 Rmb'000	2013 Rmb'000	2014 Rmb'000	Nine months ended 30 September 2014 Rmb'000 (unaudited)	2015 Rmb'000
REVENUE	5	2,356,651	2,979,401	3,630,805	2,612,265	2,736,775
Cost of sales		(2,063,822)	(2,676,267)	(3,134,119)	(2,245,381)	(2,371,160)
Gross profit		292,829	303,134	496,686	366,884	365,615
Other income and gains	5	28,159	26,574	154,749	29,686	91,844
Selling and distribution expenses		(36,486)	(145,220)	(289,358)	(189,422)	(156,344)
Administrative expenses		(98,972)	(100,444)	(110,769)	(71,824)	(67,990)
Other expenses		(2,143)	(24,015)	(974)	(351)	(1,247)
Finance costs	7	(6,763)	(7,205)	(31,947)	(14,946)	(38,214)
Share of (losses)/profits of associates		(5,066)	64,511	125,983	97,151	90,119
Gain on disposal of a subsidiary	31	–	–	54,506	–	–
Profit before tax	6	171,558	117,335	398,876	217,178	283,783
Income tax expense	8	(36,713)	(14,057)	(79,514)	(61,176)	(49,377)
Profit for the year/period		134,845	103,278	319,362	156,002	234,406
Attributable to:						
Owners of the parent		98,306	93,496	306,196	143,648	214,339
Non-controlling interests		36,539	9,782	13,166	12,354	20,067
		134,845	103,278	319,362	156,002	234,406
Profit for the year/period		134,845	103,278	319,362	156,002	234,406
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale investments:						
Changes in fair value		(22,161)	(79,585)	282,451	74,487	115,107
Reclassification adjustments for gains included in other comprehensive income upon disposal		–	–	(116,817)	–	(163)
Income tax effect		5,540	19,897	(41,409)	(18,622)	(28,736)
Exchange differences on translation of foreign operations		(10)	7,624	64	149	(34,347)
Share of other comprehensive income of associates		–	8,896	39,395	39,342	(55,197)
Other comprehensive income for the year/period, net of tax		(16,631)	(43,168)	163,684	95,356	(3,336)
Total comprehensive income for the year/period		118,214	60,110	483,046	251,358	231,070
Attributable to:						
Owners of the parent		81,675	50,328	469,880	239,004	211,003
Non-controlling interests		36,539	9,782	13,166	12,354	20,067
		118,214	60,110	483,046	251,358	231,070

Details of the dividends for the Relevant Periods are disclosed in note 9 to the Financial Information.

Consolidated statements of financial position

	Notes	As at 31 December 2012 Rmb'000	2013 Rmb'000	2014 Rmb'000	As at 30 September 2015 Rmb'000
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	751,900	1,191,765	630,742	614,198
Investment properties	*11*	158,106	155,180	579,902	–
Prepaid land lease payments	*12*	132,315	128,729	125,142	122,468
Intangible assets	*13*	3,628	3,056	2,938	2,440
Investments in associates	*15*	24,947	987,314	1,122,478	1,446,893
Available-for-sale investments	*16*	949,315	869,730	835,366	641,623
Other non-current assets	*17*	–	150,000	–	80,000
Deferred tax assets	*27*	5,540	25,437	–	1,751
Total non-current assets		2,025,751	3,511,211	3,296,568	2,909,373
CURRENT ASSETS					
Inventories	*18*	559,805	706,526	494,497	384,253
Trade and bills receivables	*19*	164,271	336,892	177,789	63,662
Prepayments, deposits and other receivables	*20*	398,788	346,787	379,187	104,110
Due from related parties	*34(c)*	161,384	128,316	210,801	193,869
Pledged deposits	*21*	2,275	2,703	500	500
Cash and cash equivalents	*22*	1,727,087	372,013	1,492,173	1,360,305
Total current assets		3,013,610	1,893,237	2,754,947	2,106,699
CURRENT LIABILITIES					
Trade and bills payables	*23*	691,877	867,477	716,182	579,902
Other payables and accruals	*24*	73,068	118,902	80,471	89,839
Derivative financial instruments	*25*	–	–	392	–
Interest-bearing bank and other borrowings	*26*	395,484	241,791	385,313	–
Tax payable		–	–	50,030	33,790
Dividends payable	*34(c)*	33,390	101,776	9,148	14,112
Due to related parties	*34(c)*	1,502,212	145,621	1,069,812	1,087,954
Total current liabilities		2,696,031	1,475,567	2,311,348	1,805,597
NET CURRENT ASSETS		317,579	417,670	443,599	301,102
TOTAL ASSETS LESS CURRENT LIABILITIES		2,343,330	3,928,881	3,740,167	3,210,475
TOTAL ASSETS LESS CURRENT LIABILITIES		2,343,330	3,928,881	3,740,167	3,210,475
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*26*	–	304,845	–	–
Deferred tax liabilities	*27*	–	–	15,972	–
Other Liabilities		–	–	–	399
Total non-current liabilities		–	304,845	15,972	399
Net assets		2,343,330	3,624,036	3,724,195	3,210,076
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	*28*	1,393,000	2,393,000	2,393,000	2,713,000
Special reserves	*29*	2,509	3,751	848	923
Capital reserve		61,399	434,175	61,452	3,180
Statutory surplus reserves	*29*	28,910	37,277	96,457	96,457
Other reserves		548,730	546,349	959,952	185,893
Non-controlling interests		308,782	209,484	212,486	210,623
Total equity		2,343,330	3,624,036	3,724,195	3,210,076

Consolidated statements of changes in equity

	Attributable to owners of the parent											
	Paid-in capital *Rmb'000*	Capital reserve *Rmb'000*	Statutory surplus reserves *Rmb'000*	Retained earnings *Rmb'000*	Available-for-sale investment revaluation reserve *Rmb'000*	Exchange fluctuation reserve *Rmb'000*	Share of other comprehensive income of associates *Rmb'000*	Special reserves *Rmb'000*	Total *Rmb'000*	Non-controlling interests *Rmb'000*	Total equity *Rmb'000*
At 1 January 2012	1,393,000	61,399	27,779	470,524	–	171	–	–	1,952,873	309,343	2,262,216
Profit for the year	–	–	–	98,306	–	–	–	–	98,306	36,539	134,845
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(16,621)	–	–	–	(16,621)	–	(16,621)
Exchange differences on translation of foreign operations	–	–	–	–	–	(10)	–	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	98,306	(16,621)	(10)	–	–	81,675	36,539	118,214
Transfer from retained profits	–	–	1,131	(1,131)	–	–	–	–	–	–	–
Provision of special reserves	–	–	–	(7,259)	–	–	–	7,259	–	–	–
Utilisation of special reserves	–	–	–	4,750	–	–	–	(4,750)	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	(37,100)	(37,100)
At 31 December 2012	1,393,000	61,399	28,910	565,190	(16,621)	161	–	2,509	2,034,548	308,782	2,343,330

	Attributable to owners of the parent										
	Paid-in capital *Rmb'000*	**Capital reserve** *Rmb'000*	**Statutory surplus reserves** *Rmb'000*	**Retained earnings** *Rmb'000*	**Available-for-sale investment revaluation reserve** *Rmb'000*	**Exchange fluctuation reserve** *Rmb'000*	**Share of other comprehensive income of associates** *Rmb'000*	**Special reserves** *Rmb'000*	**Total** *Rmb'000*	**Non-controlling interests** *Rmb'000*	**Total equity** *Rmb'000*
At 1 January 2013	1,393,000	61,399	28,910	565,190	(16,621)	161	–	2,509	2,034,548	308,782	2,343,330
Profit for the year	–	–	–	93,496	–	–	–	–	93,496	9,782	103,278
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(59,688)	–	–	–	(59,688)	–	(59,688)
Share of other comprehensive income	–	–	–	–	–	–	8,896	–	8,896	–	8,896
Exchange differences on translation of foreign operations	–	–	–	–	–	7,624	–	–	7,624	–	7,624
Total comprehensive income for the year	–	–	–	93,496	(59,688)	7,624	8,896	–	50,328	9,782	60,110
Capital injection from shareholders	1,000,000	–	–	–	–	–	–	–	1,000,000	–	1,000,000
Business combination under common control *(note 30)*	–	372,776	–	–	–	–	–	–	372,776	–	372,776
Transfer from retained profits	–	–	8,367	(8,367)	–	–	–	–	–	–	–
Provision of special reserves	–	–	–	(5,373)	–	–	–	5,373	–	–	–
Utilisation of special reserves	–	–	–	4,131	–	–	–	(4,131)	–	–	–
Dividends declared	–	–	–	(43,100)	–	–	–	–	(43,100)	(109,080)	(152,180)
At 31 December 2013	2,393,000	434,175	37,277	605,977	(76,309)	7,785	8,896	3,751	3,414,552	209,484	3,624,036

	Attributable to owners of the parent										
	Paid-in capital *Rmb'000*	Capital reserve *Rmb'000*	Statutory surplus reserves *Rmb'000*	Retained earnings *Rmb'000*	Available-for-sale investment revaluation reserve *Rmb'000*	Exchange fluctuation reserve *Rmb'000*	Share of other comprehensive income of associates *Rmb'000*	Special reserves *Rmb'000*	Total *Rmb'000*	Non-controlling interests *Rmb'000*	Total equity *Rmb'000*
At 1 January 2014	2,393,000	434,175	37,277	605,977	(76,309)	7,785	8,896	3,751	3,414,552	209,484	3,624,036
Profit for the year	–	–	–	306,196	–	–	–	–	306,196	13,166	319,362
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	124,225	–	–	–	124,225	–	124,225
Share of other comprehensive income of associates	–	–	–	–	–	–	39,395	–	39,395	–	39,395
Exchange differences on translation of foreign operations	–	–	–	–	–	64	–	–	64	–	64
Total comprehensive income for the year	–	–	–	306,196	124,225	64	39,395	–	469,880	13,166	483,046
Transfer from retained profits	–	–	59,180	(59,180)	–	–	–	–	–	–	–
Business combination under common control *(note 30)*	–	(372,723)	–	–	–	–	–	–	(372,723)	–	(372,723)
Provision of special reserves	–	–	–	(6,150)	–	–	–	6,150	–	–	–
Utilisation of special reserves	–	–	–	9,053	–	–	–	(9,053)	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	(10,164)	(10,164)
At 31 December 2014	2,393,000	61,452	96,457	855,896	47,916	7,849	48,291	848	3,511,709	212,486	3,724,195

	Attributable to owners of the parent										
	Paid-in capital *Rmb'000*	Capital reserve *Rmb'000*	Statutory surplus reserves *Rmb'000*	Retained earnings* *Rmb'000*	Available-for-sale investment revaluation reserve* *Rmb'000*	Exchange fluctuation reserve* *Rmb'000*	Share of other comprehensive income of associates* *Rmb'000*	Special reserves *Rmb'000*	Total *Rmb'000*	Non-controlling interests *Rmb'000*	Total equity *Rmb'000*
At 1 January 2015	2,393,000	61,452	96,457	855,896	47,916	7,849	48,291	848	3,511,709	212,486	3,724,195
Profit for the period	–	–	–	214,339	–	–	–	–	214,339	20,067	234,406
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	86,208	–	–	–	86,208	–	86,208
Share of other comprehensive income of associates	–	–	–	–	–	–	(55,197)	–	(55,197)	–	(55,197)
Exchange differences on translation of foreign operations	–	–	–	–	–	(34,347)	–	–	(34,347)	–	(34,347)
Total comprehensive income for the period	–	–	–	214,339	86,208	(34,347)	(55,197)	–	211,003	20,067	231,070
Capital injection from shareholders	320,000	–	–	–	–	–	–	–	320,000	–	320,000
Disposal of subsidiaries *(note 31)*	–	(58,272)	–	(397,215)	–	–	–	–	(455,487)	–	(455,487)
Disposal of investment properties and available-for-sale investments	–	–	–	(457,653)	–	–	–	–	(457,653)	–	(457,653)
Provision of special reserves	–	–	–	(5,169)	–	–	–	5,169	–	–	–
Utilisation of special reserves	–	–	–	5,094	–	–	–	(5,094)	–	–	–
Dividends declared	–	–	–	(130,119)	–	–	–	–	(130,119)	(21,930)	(152,049)
At 30 September 2015	2,713,000	3,180	96,457	85,173	134,124	(26,498)	(6,906)	923	2,999,453	210,623	3,210,076

	Attributable to owners of the parent										
	Paid-in capital *Rmb'000*	Capital reserve *Rmb'000*	Statutory surplus reserves *Rmb'000*	Retained earnings *Rmb'000*	Available-for-sale investment revaluation reserve *Rmb'000*	Exchange fluctuation reserve *Rmb'000*	Share of other comprehensive income of associates *Rmb'000*	Special reserves *Rmb'000*	Total *Rmb'000*	Non-controlling interests *Rmb'000*	Total equity *Rmb'000*
At 1 January 2014	2,393,000	434,175	37,277	605,977	(76,309)	7,785	8,896	3,751	3,414,552	209,484	3,624,036
Profit for the period	–	–	–	143,648	–	–	–	–	143,648	12,354	156,002
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	55,865	–	–	–	55,865	–	55,865
Share of other comprehensive income of associates	–	–	–	–	–	–	39,342	–	39,342	–	39,342
Exchange differences on translation of foreign operations	–	–	–	–	–	149	–	–	149	–	149
Total comprehensive income for the period	–	–	–	143,648	55,865	149	39,342	–	239,004	12,354	251,358
Business combination under common control *(note 30)*	–	(372,776)	–	–	–	–	–	–	(372,776)	–	(372,776)
Provision of special reserves	–	–	–	(5,046)	–	–	–	5,046	–	–	–
Utilisation of special reserves	–	–	–	7,710	–	–	–	(7,710)	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	(3,584)	(3,584)
At 30 September 2014 (unaudited)	2,393,000	61,399	37,277	752,289	(20,444)	7,934	48,238	1,087	3,280,780	218,254	3,499,034

* These reserve accounts comprise the consolidated other reserves of RMB548,730,000, RMB546,349,000, RMB959,952,000, and RMB185,893,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Consolidated statements of cash flows

	Notes	Year ended 31 December 2012 Rmb'000	2013 Rmb'000	2014 Rmb'000	Nine months ended 30 September 2014 Rmb'000 (unaudited)	2015 Rmb'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		171,558	117,335	398,876	217,178	283,783
Adjustments for:						
Provision for impairment and trade receivables and other receivables		883	(692)	(127)	–	681
Depreciation of items of property, plant and equipment and investment property	10,11	56,671	61,128	78,794	59,481	50,786
Amortisation of intangible assets	13	1,101	1,252	1,399	1,049	1,218
Amortisation of prepaid land lease payments	12	3,587	3,587	3,587	2,690	2,674
Loss/(Gain) on disposal of items of property, plant and equipment		818	(35)	224	(67)	(47)
Share of losses/(gains) of associates		5,066	(64,511)	(125,983)	(97,151)	(90,119)
Fair value loss of derivative financial instruments	25	–	–	392	–	–
Dividend income from available-for-sale investments	5	(17,702)	(18,174)	(17,373)	(17,373)	(33,378)
Interest income	5	(6,387)	(3,169)	(3,605)	(2,193)	(12,451)
Fair value gains of available-for-sale investments reclassified to profit or loss	5	–	–	(116,817)	–	(122)
Gain on disposal of a subsidiary	31	–	–	(54,506)	–	–
Interest expense	7	6,763	7,205	31,947	14,946	38,214
		222,358	103,926	196,808	178,560	241,239
Decrease/(increase) in trade receivables		257,458	(171,930)	159,230	136,431	113,446
(Increase)/decrease in prepayments, deposits and other receivables		(294,908)	52,001	(32,400)	154,475	256,265
(Increase)/decrease in amounts due from related parties		(52,390)	33,067	(82,578)	(234,834)	17,505
(Increase)/decrease in inventories		(196,492)	(146,721)	212,030	183,568	110,244
Increase/(decrease) in trade payables		253,925	175,600	(151,295)	(77,619)	(136,280)
Increase/(decrease) in other payables and accruals		27,873	44,616	(38,113)	(60,891)	2,105
Increase/(decrease) in amounts due to related parties		2,093	143,475	(11,209)	177,678	12,246
(Decrease)/increase in pledged deposits		(302)	(428)	2,203	2,203	–
Cash generated from operations		219,615	233,606	254,676	459,571	616,770
Interest paid		(6,786)	(5,986)	(32,268)	(14,946)	(27,445)
Income tax paid		(36,154)	(14,057)	(29,484)	(18,856)	(65,191)
Net cash flows from operating activities		176,675	213,563	192,924	425,769	524,134
Net cash flows from operating activities		176,675	213,563	192,924	425,769	524,134

	Notes	Year ended 31 December 2012 Rmb'000	2013 Rmb'000	2014 Rmb'000	Nine months ended 30 September 2014 Rmb'000 (unaudited)	2015 Rmb'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment and construction in progress		(39,587)	(155,549)	(57,537)	(29,648)	(34,077)
Purchases of intangible assets		(186)	(680)	(474)	(513)	(719)
Purchases of available-for-sale investments		(598,877)	–	(300,000)	(300,000)	(50,336)
Dividends received from available-for-sale investments		17,702	18,174	17,373	17,373	33,378
Proceeds from disposal of available-for-sale investments		–	–	616,814	–	1,527
Proceeds from disposal of items of property, plant and equipment		1,051	292	1,373	67	298
Proceeds from disposal of subsidiaries	31	–	–	43,540	–	–
Cash outflow upon disposal of subsidiaries	31	–	–	–	–	(8,005)
Purchase of other investments		–	(150,000)	–	–	(80,000)
Refund of other investments		–	–	150,000	150,000	–
Investments in associates		–	(888,959)	–	–	(320,000)
Proceeds from dividends received from associates		–	–	30,214	30,214	30,508
Interest received	5	6,387	3,169	3,605	2,193	11,878
Net cash flows (used in)/from investing activities		(613,510)	(1,173,553)	504,908	(130,314)	(415,548)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		301,555	1,037,035	763,509	683,911	179,551
Repayment of bank loans		(221,116)	(885,883)	(924,831)	(762,203)	(564,465)
Purchases of a subsidiary	30	–	–	(372,723)	(372,723)	–
Increase/(decrease) in amounts due to related parties		1,500,065	(1,470,065)	1,059,101	461,554	5,895
Dividends paid		(3,710)	(83,794)	(102,792)	(105,360)	(147,085)
Share capital injection		–	1,000,000	–	–	320,000
Net cash flows from/(used in) financing activities		1,576,794	(402,707)	422,264	(94,821)	(206,104)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,139,959	(1,362,697)	1,120,096	200,634	(97,518)
Cash and cash equivalents at beginning of year/period	22	587,138	1,727,087	372,013	372,013	1,492,173
Effect of foreign exchange rate changes, net		(10)	7,623	64	204	(34,350)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	22	1,727,087	372,013	1,492,173	572,851	1,360,305

Statements of financial position

	Notes	As at 31 December 2012 Rmb'000	As at 31 December 2013 Rmb'000	As at 31 December 2014 Rmb'000	As at 30 September 2015 Rmb'000
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	1,401	1,050	1,474	1,367
Investment properties	*11*	158,106	155,180	150,216	–
Investments in subsidiaries	*14*	772,717	862,717	1,229,711	767,717
Investments in associates	*15*	30,014	918,972	918,972	1,238,973
Available-for-sale investments	*16*	949,315	869,730	835,366	641,623
Other non-current assets	*17*	–	150,000	–	80,000
Deferred tax assets	*27*	5,540	25,437	–	1,751
Total non-current assets		1,917,093	2,983,086	3,135,739	2,731,431
CURRENT ASSETS					
Prepayments, deposits and other receivables	*20*	19	84	9,604	363
Due from related parties	*34(c)*	145	1,265	550	261
Due from subsidiaries		121,169	126,556	122	2,221
Cash and cash equivalents	*22*	8,165	3,078	320,623	122,322
Total current assets		129,498	130,983	330,899	125,167
CURRENT LIABILITIES					
Other payables and accruals	*24*	1,268	380	9,291	328
Tax payable		–	–	18,073	–
Due to subsidiaries		554,200	706,200	396,206	334,593
Due to related parties	*34(c)*	–	–	75	75,765
Total current liabilities		555,468	706,580	423,645	410,686
NET CURRENT LIABILITIES		(425,970)	(575,597)	(92,746)	(285,519)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,491,123	2,407,489	3,042,993	2,445,912
TOTAL ASSETS LESS CURRENT LIABILITIES		1,491,123	2,407,489	3,042,993	2,445,912
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*27*	–	–	15,972	–
Other Liabilities		–	–	–	340
Total non-current liabilities		–	–	15,972	340
Net assets		1,491,123	2,407,489	3,027,021	2,445,572
EQUITY					
Paid-in capital	*28*	1,393,000	2,393,000	2,393,000	2,713,000
Reserves	*29*	98,123	14,489	634,021	(267,428)
Total equity		1,491,123	2,407,489	3,027,021	2,445,572

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

China Shipping Investment Co., Ltd. was incorporated in the People's Republic of China (the "PRC") as a company with limited liability on 26 June 1998. The registered office of the Target Company is located at No. 8 Jia Feng Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC.

The Target Company and its subsidiaries (hereinafter collectively referred to as the "Target Group") are principally engaged in industrial investment, equity investment, real estate management and ship container manufacturing.

The ultimate and immediate holding company of the Target Company is China Shipping (Group) Company, which is incorporated in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), and the particulars of which are set out below:

Company	Place and date of registration and place of business	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Target Company		Principal activities
			Direct	Indirect	
			%	%	
Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal")*	Mainland China 6 March 2008	RMB850 million	100	–	Industrial investment
Dong Fang International Container (Lianyungang) Co., Ltd. ("Lianyungang Container")*	Mainland China 3 February 2005	RMB208.14 million	–	75	Container manufacturing
Dong Fang International Container (Jinzhou) Co., Ltd. ("Jinzhou Container")*	Mainland China 27 September 2005	RMB160.21 million	–	72	Container manufacturing
Dong Fang International Container (Guangzhou) Co., Ltd. ("Guangzhou Container")*	Mainland China 17 January 2006	RMB160.63 million	–	72	Container manufacturing
Liangyungang Wuzhou Special Vehicle Manufacturing Co., Ltd. ("Lianyungang Wuzhou")*	Mainland China 17 May 2006	RMB125 million	–	75	Container repair and manufacturing
Dong Fang International Container (Hong Kong) Co., Ltd. ("Hong Kong Container")**	Hong Kong 21 October 2015	RMB77.9 thousands	–	100	Trading
Shanghai Helen Insurance Broker Limited ("Shanghai Helen")**	Mainland China 22 October 2010	RMB10 million	100	–	Insurance broker

* Statutory audited financial statements for the years ended 31 December 2012, 2013 and 2014 have been prepared for these subsidiaries and were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合伙)").

** Statutory audited financial statements for the years ended 31 December 2012, 2013 and 2014 have been prepared for these subsidiaries and were audited by Deloitte Touche Tohmatsu Certified Public Accountants.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2015 have been early adopted in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for available-for-sale investments and financial derivative instruments which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Merger accounting

The Target Group accounts for its business combination involving entities under common control using the principles of merger accounting. On 6 January 2014, the Target Group acquired a 100% interest in Shanghai Zhenjing Industrial Co., Ltd. from China Shipping Container Lines Co., Ltd. ("CSCL"), a fellow subsidiary of the Target Company (the "Acquisition"). Shanghai Zhenjing Industrial Co., Ltd. is engaged in investment property holding. The purchase consideration for the acquisition was in the form of cash, with RMB372,723,000 paid at the acquisition date. Shanghai Zhenjing Industrial Co., Ltd. was incorporated on 11 November 2013.

As the Target Group and CSCL were under the common control of China Shipping (Group) Company before and after the Acquisition, and China Shipping (Group) Company's control of the Target Company and Shanghai Zhenjing Industrial Co., Ltd. is not transitory, the Acquisition is considered as a combination of businesses under common control and is accounted for on merger basis by applying Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG5") issued by the HKICPA.

AG5 requires retrospective application for all periods presented. The net assets of Shanghai Zhenjing Industrial Co., Ltd. have been recognised at their carrying amounts in the consolidated financial statements of the Target Group and the financial statements of the Target Company since its incorporation.

The effects of all transactions between the Target Group and Shanghai Zhenjing Industrial Co., Ltd., whether occurring before or after the Acquisition, are eliminated in preparing the consolidated financial statements. The transaction costs for the acquisition were recognised as expenses in the consolidated statement of profit or loss.

Basis of consolidation

This Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Target Group anticipate that the application of the new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Financial Information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates

An associate is an entity, in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Target Group's investments in associates are stated in the consolidated statements of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Target Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Target Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Target Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, and the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services are provided;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the regions in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Retirement benefits

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Target Company and its subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investment, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Group is unable to trade these financial assets due to inactive markets, the Target Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Target Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale financial investments

For available-for-sale financial investments, the Target Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Target Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Target Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

	Useful lives	Residual rates
Buildings	10 – 50 years	0%-4%
Machinery and equipment	8 – 20 years	4%
Motor vehicles	5 – 8 years	4%
Other equipment	2 – 10 years	4%
Leasehold improvements	Over the lease terms	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are depreciated on the straight-line basis to write off the cost over its estimated useful life. The estimated useful lives of investment properties are 40 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3 – 5 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Inventories

Inventories comprising raw materials, work in progress, finished goods and packaging materials, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Foreign currencies

These financial statements are presented in RMB, which is the Target Company's functional and presentation currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of a subsidiary is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Target Group (RMB) at the exchange rates prevailing at the end of the reporting period, and its statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Classification between investment properties and owner-occupied properties

The Target Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independently of the other assets held by the Target Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax

The Target Group is subject to income taxes in various regions. Certain matters relating to the income taxes have not been confirmed by the local tax bureau. As a result, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete or non-strategic assets that have been abandoned.

4. OPERATING SEGMENT INFORMATION

The Target Group currently operates in one business segment, namely, the manufacture and sale of containers. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Geographical information

(a) Revenue from external customers was all derived from:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Mainland China	438,641	419,979	577,416	328,891	239,286
Hong Kong	1,918,010	2,559,422	3,053,389	2,283,374	2,497,489
	2,356,651	2,979,401	3,630,805	2,612,265	2,736,775

(b) Non-current assets were all located in Mainland China.

Information about major customers

Revenue derived from the sales to two major customers is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Customer A	149,556	463,397	687,193	264,722	995,195
Customer B	93,821	681,757	641,456	330,032	474,892
	243,377	1,145,154	1,328,649	594,754	1,470,087

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Group's turnover, mainly represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Revenue:					
Sale of containers	2,287,532	2,930,914	3,488,590	2,482,049	2,698,572
Sale of spare combustible materials	18,867	18,587	107,462	107,190	8,997
Insurance broker income	8,959	9,886	8,915	6,086	7,263
Rental income	15,026	19,173	24,770	16,139	11,065
Others	26,267	841	1,068	801	10,878
	2,356,651	2,979,401	3,630,805	2,612,265	2,736,775
Other income and gains					
Interest income	6,387	3,169	3,605	2,193	12,451
Dividend income from available-for-sale listed investments	17,702	18,174	17,373	17,373	33,378
Fair value gains of available-for-sale investments (reclassified from equity upon disposal)	–	–	116,817	–	122
Government grants	2,276	1,250	1,920	911	1,198
Exchange gains	1,376	–	9,218	8,161	44,395
Gain on disposal of property, plant and equipment	89	103	121	89	62
Others	329	3,878	5,695	959	238
	28,159	26,574	154,749	29,686	91,844

6. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Cost of inventories sold*		2,063,822	2,676,267	3,134,119	2,245,381	2,371,160
Depreciation		56,671	61,128	78,794	59,481	50,786
Amortisation of intangible assets**	*13*	1,101	1,252	1,399	1,049	1,218
Amortisation of prepaid land lease payments***	*12*	3,587	3,587	3,587	2,690	2,674
Operating lease expenses		4,995	4,217	4,010	2,978	3,284
Auditors' remuneration		259	157	188	139	98
Employee benefit expense:						
Wages and salaries		135,740	171,645	224,536	156,447	185,169
Pension		26,240	31,434	38,343	25,580	16,284
Staff welfare expenses		7,332	19,144	26,594	18,835	27,473
		169,312	222,223	289,473	200,862	228,926
Foreign exchange differences, net		(1,376)	24,545	(9,218)	(8,161)	(44,395)
Provision for/(reversal of) impairment of trade receivables and other receivables		883	(692)	(127)	–	681
Fair value loss of derivative Instruments- transactions not qualifying as hedges		–	–	392	–	–
Loss on disposal of property, plant and equipment		907	68	345	22	15

* The write-down of inventories to net realisable value of RMB36,028,000 for the year ended 31 December 2012 is included in "Cost of sales" on the face of the consolidated statements of profit or loss and other comprehensive income.

** The amortisation of software for the Relevant Periods is included in "Administrative expenses" on the face of the consolidated statements of profit or loss and comprehensive income.

*** The amortisation of prepaid land lease payments for the Relevant Periods is included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Interest on bank loans	6,763	7,205	31,947	14,946	38,214

8. INCOME TAX

The Target Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Current tax	36,713	14,057	79,514	61,176	49,377
Total tax charge for the year/period	36,713	14,057	79,514	61,176	49,377

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Profit before tax	171,558	117,335	398,876	217,178	283,783
Tax at an applicable tax rate of 25%	42,890	29,333	99,719	54,294	70,946
Effect of a different tax rate	(263)	1,012	(5,530)	(1,146)	(9,888)
Tax holiday	(13,909)	–	–	–	–
Adjustments in respect of current tax of previous periods	(1,480)	(2,826)	(281)	(281)	(1,447)
Income not subject to tax	–	(4,543)	(4,343)	(4,343)	(8,345)
Expense not deductible for tax	1,857	197	1,796	694	223
Tax losses utilised from previous periods	(5,915)	(104)	(17,960)	(48)	(26)
Deductible temporary differences and tax losses not recognised	12,266	7,116	37,609	36,294	20,444
Share of losses/(profits) of associates	1,267	(16,128)	(31,496)	(24,288)	(22,530)
Tax charge at the Target Group	36,713	14,057	79,514	61,176	49,377

9. DIVIDENDS

The Target Group declared and paid dividend of RMB37,100,000, RMB152,180,000, RMB10,164,000 and RMB152,049,000 to the shareholders in 2012, 2013, 2014 and the nine months ended 30 September 2015 respectively.

10. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
31 December 2012							
At 1 January 2012:							
Cost	554,931	281,192	12,613	16,744	5,375	144,407	1,015,262
Accumulated depreciation	(83,579)	(128,510)	(6,659)	(9,726)	(516)	–	(228,990)
Net carrying amount	471,352	152,682	5,954	7,018	4,859	144,407	786,272
At 1 January 2012, net of accumulated depreciation	471,352	152,682	5,954	7,018	4,859	144,407	786,272
Additions	1,805	10,055	2,236	1,222	225	24,044	39,587
Depreciation provided during the year	(10,974)	(38,148)	(904)	(1,064)	(1,284)	–	(52,374)
Disposals	–	(1,538)	(304)	(27)	–	–	(1,869)
Transfers	145,087	302	–	–	–	(145,389)	–
Transfer to investment properties	–	–	–	–	–	(18,311)	(18,311)
Transfer to intangible assets	–	–	–	–	–	(1,405)	(1,405)
At 31 December 2012, net of accumulated depreciation	607,270	123,353	6,982	7,149	3,800	3,346	751,900
At 31 December 2012							
Cost	701,823	288,615	13,567	17,280	5,600	3,346	1,030,231
Accumulated depreciation	(94,553)	(165,262)	(6,585)	(10,131)	(1,800)	–	(278,331)
Net carrying amount	607,270	123,353	6,982	7,149	3,800	3,346	751,900
31 December 2013							
At 1 January 2013,							
Cost	701,823	288,615	13,567	17,280	5,600	3,346	1,030,231
Accumulated depreciation	(94,553)	(165,262)	(6,585)	(10,131)	(1,800)	–	(278,331)
Net carrying amount	607,270	123,353	6,982	7,149	3,800	3,346	751,900
At 1 January 2013, net of accumulated depreciation	607,270	123,353	6,982	7,149	3,800	3,346	751,900
Additions	355,720	3,380	–	2,849	186	135,609	497,744
Depreciation provided during the year	(43,116)	(9,972)	(1,035)	(1,063)	(1,178)	–	(56,364)
Disposals	–	(114)	(142)	(2)	–	–	(258)
Transfers	9,094	21,712	–	140	–	(30,946)	–
Transfer to investment properties	–	–	–	–	–	(1,257)	(1,257)
At 31 December 2013, net of accumulated depreciation	928,968	138,359	5,805	9,073	2,808	106,752	1,191,765
At 31 December 2013:							
Cost	1,066,637	313,314	11,909	20,212	5,786	106,752	1,524,610
Accumulated depreciation	(137,669)	(174,955)	(6,104)	(11,139)	(2,978)	–	(332,845)
Net carrying amount	928,968	138,359	5,805	9,073	2,808	106,752	1,191,765

	Buildings Rmb'000	Machinery and equipment Rmb'000	Motor vehicles Rmb'000	Other equipment Rmb'000	Leasehold improvements Rmb'000	Construction in progress Rmb'000	Total Rmb'000
31 December 2014							
At 1 January 2014:							
Cost	1,066,637	313,314	11,909	20,212	5,786	106,752	1,524,610
Accumulated depreciation	(137,669)	(174,955)	(6,104)	(11,139)	(2,978)	–	(332,845)
Net carrying amount	928,968	138,359	5,805	9,073	2,808	106,752	1,191,765
At 1 January 2014, net of accumulated depreciation	928,968	138,359	5,805	9,073	2,808	106,752	1,191,765
Additions	31	4,456	2,741	1,999	207	48,103	57,537
Depreciation provided during the year	(22,831)	(33,931)	(1,306)	(1,512)	(1,011)	–	(60,591)
Disposals	(998)	(3)	(273)	(186)	(137)	–	(1,597)
Disposal of subsidiaries *(note 31)*	(112,642)	–	–	–	–	–	(112,642)
Transfers	28,422	20,346	679	2,224	–	(51,671)	–
Transfer to investment properties	(354,038)	–	–	–	–	(88,887)	(442,925)
Transfer to intangible assets	–	–	–	–	–	(805)	(805)
At 31 December 2014, net of accumulated depreciation	466,912	129,227	7,646	11,598	1,867	13,492	630,742
At 31 December 2014							
Cost	620,484	337,976	12,916	23,191	5,856	13,492	1,013,915
Accumulated depreciation	(153,572)	(208,749)	(5,270)	(11,593)	(3,989)	–	(383,173)
Net carrying amount	466,912	129,227	7,646	11,598	1,867	13,492	630,742
30 September 2015							
At 1 January 2015:							
Cost	620,484	337,976	12,916	23,191	5,856	13,492	1,013,915
Accumulated depreciation	(153,572)	(208,749)	(5,270)	(11,593)	(3,989)	–	(383,173)
Net carrying amount	466,912	129,227	7,646	11,598	1,867	13,492	630,742
At 1 January 2015, net of accumulated depreciation	466,912	129,227	7,646	11,598	1,867	13,492	630,742
Additions	534	4,629	1,048	447	2,970	24,449	34,077
Disposals	(202)	(6)	(43)	–	–	–	(251)
Depreciation provided during the period	(15,144)	(25,848)	(1,069)	(1,332)	(3,670)	–	(47,063)
Disposal of subsidiaries *(note 31)*	–	–	–	–	–	(3,307)	(3,307)
Transfers	7,051	13,946	60	737	–	(21,794)	–
At 30 September 2015, net of accumulated depreciation	459,151	121,948	7,642	11,450	1,167	12,840	614,198
At 30 September 2015:							
Cost	627,867	356,388	12,942	24,376	8,826	12,840	1,043,239
Accumulated depreciation	(168,716)	(234,440)	(5,300)	(12,926)	(7,659)	–	(429,041)
Net carrying amount	459,151	121,948	7,642	11,450	1,167	12,840	614,198

Target Company

	Motor vehicles *Rmb'000*	Other equipment *Rmb'000*	Leasehold improvements *Rmb'000*	Construction in progress *Rmb'000*	Total *Rmb'000*
31 December 2012					
At 1 January 2012:					
Cost	2,985	686	319	13,235	17,225
Accumulated depreciation	(2,255)	(443)	(310)	–	(3,008)
Net carrying amount	730	243	9	13,235	14,217
At 1 January 2012, net of accumulated depreciation	730	243	9	13,235	14,217
Additions	412	6	–	5,376	5,794
Depreciation provided during the year	(187)	(74)	(9)	–	(270)
Disposals	(9)	(20)	–	–	(29)
Transfers to investment properties	–	–	–	(18,311)	(18,311)
At 31 December 2012, net of accumulated depreciation	946	155	–	300	1,401
At 31 December 2012:					
Cost	3,185	237	319	300	4,041
Accumulated depreciation	(2,239)	(82)	(319)	–	(2,640)
Net carrying amount	946	155	–	300	1,401
31 December 2013					
At 1 January 2013:					
Cost	3,185	237	319	300	4,041
Accumulated depreciation	(2,239)	(82)	(319)	–	(2,640)
Net carrying amount	946	155	–	300	1,401
At 1 January 2013, net of accumulated depreciation	946	155	–	300	1,401
Additions	272	–	–	957	1,229
Depreciation provided during the year	(235)	(73)	–	–	(308)
Disposals	(15)	–	–	–	(15)
Transfers to investment properties	–	–	–	(1,257)	(1,257)
At 31 December 2013, net of accumulated depreciation	968	82	–	–	1,050
At 31 December 2013:					
Cost	3,055	237	319	–	3,611
Accumulated depreciation	(2,087)	(155)	(319)	–	(2,561)
Net carrying amount	968	82	–	–	1,050

	Motor vehicles *Rmb'000*	Other equipment *Rmb'000*	Leasehold improvements *Rmb'000*	Construction in progress *Rmb'000*	Total *Rmb'000*
31 December 2014					
At 1 January 2014:					
Cost	3,055	237	319	–	3,611
Accumulated depreciation	(2,087)	(155)	(319)	–	(2,561)
Net carrying amount	968	82	–	–	1,050
At 1 January 2014, net of accumulated depreciation	968	82	–	–	1,050
Additions	723	81	–	–	804
Depreciation provided during the year	(248)	(77)	–	–	(325)
Disposals	(53)	(2)	–	–	(55)
At 31 December 2014, net of accumulated depreciation	1,390	84	–	–	1,474
At 31 December 2014:					
Cost	2,472	282	–	–	2,754
Accumulated depreciation	(1,082)	(198)	–	–	(1,280)
Net carrying amount	1,390	84	–	–	1,474
30 September 2015					
At 1 January 2015:					
Cost	2,472	282	–	–	2,754
Accumulated depreciation	(1,082)	(198)	–	–	(1,280)
Net carrying amount	1,390	84	–	–	1,474
At 1 January 2015, net of accumulated depreciation	1,390	84	–	–	1,474
Additions	–	109	–	–	109
Depreciation provided during the period	(188)	(23)	–	–	(211)
Disposals	(5)	–	–	–	(5)
At 30 September 2015, net of accumulated depreciation	1,197	170	–	–	1,367
At 30 September 2015,					
Cost	2,346	391	–	–	2,737
Accumulated depreciation	(1,149)	(221)	–	–	(1,370)
Net carrying amount	1,197	170	–	–	1,367

11. INVESTMENT PROPERTIES

Target Group

	Buildings *Rmb'000*
31 December 2012	
At 1 January 2012:	
Cost	175,939
Accumulated amortisation	(31,847)
Net carrying amount	144,092
Cost at 1 January 2012, net of accumulated amortisation	144,092
Transfer from property, plant and equipment	18,311
Depreciation provided during the year	(4,297)
At 31 December 2012	158,106
At 31 December 2012 and 1 January 2013:	
Cost	194,250
Accumulated amortisation	(36,144)
Net carrying amount	158,106
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	158,106
Additions	581
Transfer from property, plant and equipment	1,257
Depreciation provided during the year	(4,764)
At 31 December 2013	155,180
At 31 December 2013 and 1 January 2014:	
Cost	196,088
Accumulated amortisation	(40,908)
Net carrying amount	155,180
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	155,180
Transfer from property, plant and equipment	442,925
Depreciation provided during the year	(18,203)
At 31 December 2014	579,902
At 31 December 2014 and 1 January 2015:	
Cost	639,752
Accumulated amortisation	(59,850)
Net carrying amount	579,902
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	579,902
Disposals of subsidiaries *(note 31)*	(429,686)
Disposals *(note 34(b)(iii))*	(146,493)
Depreciation provided during the period	(3,723)
At 30 September 2015	–
At 30 September 2015:	
Cost	–
Accumulated depreciation	–
Net carrying amount	–

Target Company

	Buildings *Rmb'000*
31 December 2012	
At 1 January 2012:	
Cost	175,939
Accumulated amortisation	(31,847)
Net carrying amount	144,092
Cost at 1 January 2012, net of accumulated amortisation	144,092
Transfer from property, plant and equipment	18,311
Amortisation provided during the year	(4,297)
At 31 December 2012	158,106
At 31 December 2012 and 1 January 2013:	
Cost	194,250
Accumulated amortisation	(36,144)
Net carrying amount	158,106
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	158,106
Transfer from property, plant and equipment	581
Additions	1,257
Amortisation provided during the year	(4,764)
At 31 December 2013, net of accumulated amortisation	155,180
At 31 December 2013 and 1 January 2014:	
Cost	196,088
Accumulated amortisation	(40,908)
Net carrying amount	155,180
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	155,180
Additions	–
Amortisation provided during the year	(4,964)
At 31 December 2014, net of accumulated amortisation	150,216
At 31 December 2014 and 1 January 2015:	
Cost	196,088
Accumulated amortisation	(45,872)
Net carrying amount	150,216
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	150,216
Additions	–
Disposals *(note 34(b)(iii))*	(146,493)
Amortisation provided during the period	(3,723)
At 30 September 2015	–
At 30 September 2015:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–

The Target Group's and the Target Company's investment properties are all situated in Mainland China, PRC and are held under the medium lease terms.

The Target Group's and the Target Company's investment properties consist of commercial properties in Mainland China. The Directors have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property.

The investment properties are leased to both third parties and related parties under operating leases, further summary details of which are included in note 32(a) to the Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment property:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	687,000	687,000

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	362,000	362,000

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	339,000	339,000

The following table illustrates the fair value measurement hierarchy of the Target Company's investment property:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	382,000	382,000

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	362,000	362,000

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial property	–	–	339,000	339,000

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average**		
			2014	**2013**	**2012**
			RMB	*RMB*	*RMB*
Commercial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	128.99	114.56	111.26
		Rent growth (p.a.) (%)	0-5	–	–
		Long term vacancy rate (%)	0-10	–	–
		Discount rate (%)	4.5-6	4.5-6	4.5-7

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

12. PREPAID LAND LEASE PAYMENTS

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Carrying amount at beginning of year/period	139,489	135,903	132,316	128,729
Additions	–	–	–	–
Recognised	(3,587)	(3,587)	(3,587)	(2,674)
Carrying amount at end of year/period	135,902	132,316	128,729	126,055
Current portion included in prepayments, deposits and other receivables	(3,587)	(3,587)	(3,587)	(3,587)
Non-current portion	132,315	128,729	125,142	122,468

The leasehold land is situated in Mainland China and is held under a medium term lease.

13. INTANGIBLE ASSETS

Target Group

	Software
	Rmb'000
31 December 2012	
At 1 January 2012:	
Cost	3,743
Accumulated amortisation	(606)
Net carrying amount	3,137
Cost at 1 January 2012, net of accumulated amortisation	3,137
Additions	1,592
Amortisation provided during the year	(1,101)
At 31 December 2012	3,628

	Software
	Rmb'000
At 31 December 2012 and 1 January 2013:	
Cost	5,335
Accumulated amortisation	(1,707)
Net carrying amount	3,628
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	3,628
Additions	680
Amortisation provided during the year	(1,252)
At 31 December 2013	3,056
At 31 December 2013 and 1 January 2014:	
Cost	6,015
Accumulated amortisation	(2,959)
Net carrying amount	3,056
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	3,056
Additions	1,281
Amortisation provided during the year	(1,399)
At 31 December 2014	2,938
At 31 December 2014 and 1 January 2015:	
Cost	7,296
Accumulated amortisation	(4,358)
Net carrying amount	2,938
30 September 2015	
Cost at 1 January 2015, net of accumulated amortisation	2,938
Additions	720
Amortisation provided during the period	(1,218)
At 30 September 2015	2,440
At 30 September 2015:	
Cost	8,016
Accumulated amortisation	(5,576)
Net carrying amount	2,440

14. INVESTMENTS IN SUBSIDIARIES

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Unlisted shares, at cost:	772,717	862,717	1,229,711	767,717

The amounts due from subsidiaries included in the Company's current assets of RMB121,169,000, RMB126,556,000, RMB122,000 and RMB2,221,000 and the amounts due to subsidiaries included in the Company's current liabilities of RMB554,200,000, RMB706,200,000, RMB396,206,000 and RMB334,593,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, were unsecured, interest-free and had no fixed terms of repayment.

15. INVESTMENTS IN ASSOCIATES

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Share of net assets	24,947	764,524	899,688	1,224,103
Goodwill on acquisition	–	222,790	222,790	222,790
	24,947	987,314	1,122,478	1,446,893

Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Unlisted shares, at cost	30,014	918,972	918,972	1,238,973

Particulars of the associates as at 30 September 2015 are as follows:

Company	Place of incorporation	Nominal value of issued shares/paid-up capital	Percentage of interest attributable to the Group	Principal activities
Shanghai Shipping Industry Fund Co., Ltd.* ("Shanghai Shipping")	PRC	RMB100 million	30%	Investment
Kun Lun Bank Limited Company* ("Kun Lun Bank")	PRC	RMB7,380.52 million	3.97%**	Banking
CIB Fund Management Co., Ltd.* ("CIB Fund")	PRC	RMB500 million	10%**	Investment
Shanghai Life Insurance Company Ltd.* ("Shanghai Life")	PRC	RMB2,000 million	16%**	Insurance

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** The Target Company appoints its own representatives in the boards of directors of Kun Lun Bank, CIB Fund and Shanghai Life and has significant influence over these invested companies.

Shanghai Shipping, Kun Lun Bank, CIB Fund and Shanghai Life are considered material associates of the Target Group, and are accounted for using the equity method.

The following table illustrates the summarised financial information of Shanghai Shipping, Kun Lun Bank, CIB Fund and Shanghai Life adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated Financial Information:

Shanghai Shipping

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Current assets	64,727	54,137	70,502	17,838
Non-current assets	25,999	23,768	951	51,963
Total liabilities	(7,569)	(5,173)	(3,951)	(2,967)
Net assets	83,157	72,732	67,502	66,834
Reconciliation to the Target Group's interest in the associate:				
Proportion of the Target Group's ownership	30%	30%	30%	30%
Share of net assets of the associate	24,947	21,820	20,251	20,050

	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Revenues	2,868	2,554	2,304	2,567
Loss	(16,887)	(10,425)	(5,230)	(668)
Total comprehensive loss for the year/period	(16,887)	(10,425)	(5,230)	(668)

Kun Lun Bank

	As at 31 December		As at 30 September
	2013	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*
Current assets	117,141,255	124,876,061	134,775,056
Non-current assets	129,311,502	153,481,842	138,985,037
Total liabilities	(229,002,351)	(257,746,969)	(251,039,768)
Net assets	17,450,406	20,610,934	22,720,325
Reconciliation to the Target Group's interest in the associate:			
Proportion of the Target Group's ownership	3.97%	3.97%	3.97%
Share of net assets of the associate	691,423	816,504	900,020
Other adjustments – goodwill	222,790	222,790	222,790
	914,213	1,039,294	1,122,810

	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*
Revenues	6,162,600	14,128,802	8,813,076
Profit attributable to owners of the parent	1,671,493	2,925,168	2,770,911
Other comprehensive income	224,081	986,545	101,203
Total comprehensive income for the year/period	1,895,574	3,911,713	2,872,114
Dividends received during the year/period	–	30,214	30,508

CIB Fund

	As at 31 December		As at 30 September
	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*
Current assets	520,490	427,733	209,741
Non-current assets	25,991	585,657	988,665
Total liabilities	(33,672)	(384,056)	(438,068)
Net assets	512,809	629,334	760,338
Reconciliation to the Target Group's interest in the associate:			
Proportion of the Target Group's ownership	10%	10%	10%
Share of net assets of the associate	51,281	62,933	76,034

	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*
Revenues	48,297	397,715	459,073
Profit	12,809	114,231	131,622
Other comprehensive income/(loss)	–	2,294	(618)
Total comprehensive income for the year/period	12,809	116,525	131,004

Shanghai Life Insurance

	As at 30 September 2015
	Rmb'000
Current assets	2,467,848
Non-current assets	6,343,997
Total liabilities	(7,386,849)
Net assets	1,424,996

	As at 30 September 2015
	Rmb'000
Reconciliation to the Target Group's interest in the associate:	
Proportion of the Target Group's ownership	16%
Share of net assets of the associate	227,999

	2015
	Rmb'000
Revenues	815,733
Loss	(205,301)
Other comprehensive loss	(369,703)
Total comprehensive loss for period	(575,004)

16. AVAILABLE-FOR-SALE INVESTMENTS

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Non-current:				
Unlisted equity investments, at cost	372,600	372,600	372,600	61,440
Listed equity investments, at fair value	576,715	497,130	462,766	580,183
	949,315	869,730	835,366	641,623

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company held 6.1% and 6.4% equity interests in unlisted companies, Yantai Port Co., Ltd. ("煙台港股份有限公司") and Sunrui Marine Environment Engineering Co., Ltd. ("青島雙瑞海洋環境工程有限公司"), in Mainland China. Yantai Port Co., Ltd. is engaged in marine transportation. Sunrui Marine Environment Engineering Co., Ltd. is engaged in marine engineering. As at 30 September 2015, the equity investment in Yantai Port Co., Ltd. was gratuitously transferred to the holding company of the Target Company.

The fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment, and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The investments were stated at cost less any impairment losses.

During the years ended 31 December 2012 and 2013, the gross losses in respect of the Target Group's available-for-sale investments recognised in other comprehensive income amounted to RMB22,161,000 and RMB79,585,000. During the years ended 31 December 2014 and the nine months ended 30 September 2015, the gross gain in respect of the Target Group's available-for-sale investments recognised in other comprehensive income amounted to RMB282,451,000 and RMB115,107,000, of which RMB116,817,000 and RMB163,000 was reclassified from other comprehensive income to profit or loss for the year or period.

17. OTHER NON-CURRENT ASSETS

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Trust fund investment prepayments	–	150,000	–	80,000

The Target Group prepaid RMB80,000,000 to Beijing East Capital No. 1 Investment Center for future investment as at 30 September 2015.

The Target Group prepaid RMB150,000,000 to CITIC trust fund for investment in purchasing West Lake International Technology Building ("西湖國際科技大廈") as at 31 December 2013.

18. INVENTORIES

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Raw materials	361,912	567,459	192,739	195,550
Finished goods	197,893	139,067	301,758	188,703
	559,805	706,526	494,497	384,253

19. TRADE AND BILLS RECEIVABLES

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Trade receivables	164,978	336,998	177,667	64,314
Bills receivable	350	200	227	50
Less: Impairment of trade receivables	(1,057)	(306)	(105)	(702)
	164,271	336,892	177,789	63,662

The Target Group's trading terms with its customers are mainly on credit. The credit period was generally two months, extending up to three months for major customers. The Target Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The analysis of concentration of credit risk is given in note 37. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables are as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
At beginning of year/period	213	1,057	306	105
Charge for the year/period	844	–	–	608
Reversal	–	(751)	(201)	–
Write-off	–	–	–	(11)
At end of year/period	1,057	306	105	702

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Less than 6 months	164,978	336,983	177,534	64,314
Between 6 and 12 months	–	8	133	–
Between 1 and 2 years	–	7	–	–
	164,978	336,998	177,667	64,314

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Neither past due nor impaired	129,742	326,798	174,164	40,901

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2013 and 2014, trade receivables of RMB336,562,000 and RMB176,460,000 from export sales in those years were pledged for bank loans.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Other receivables	1,248	4,438	23,824	8,295
Prepayments	349,377	289,018	297,140	82,475
Prepaid tax	44,656	49,883	54,849	10,039
Prepaid land lease payments to be amortised within 1 year	3,587	3,587	3,587	3,587
Less: Impairment of other receivables	(80)	(139)	(213)	(286)
	398,788	346,787	379,187	104,110

Movements in the provision for impairment of other receivables are as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
At beginning of year/period	41	80	139	213
Charge for the year/period	39	59	74	73
At end of year/period	80	139	213	286

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Other receivables	12	4	–	185
Prepaid tax	–	–	–	178
Prepayments	7	80	9,604	–
	19	84	9,604	363

The financial assets included in the above balances that were neither past due nor impaired relate to other receivables for which there was no recent history of default.

21. PLEDGED DEPOSITS

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Insurance fee pledge	2,275	2,703	500	500

According to the China Insurance Regulatory Commission, an insurance broker company is required to deposit commission received in a special account. Only after the insurance fee was submitted to the insurance company, the deposit can be transferred out of the special account.

22. CASH AND CASH EQUIVALENTS

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cash and bank balances	1,729,362	374,716	1,492,673	1,360,805
Less: Pledged for the insurance fee	(2,275)	(2,703)	(500)	(500)
Cash and cash equivalents	1,727,087	372,013	1,492,173	1,360,305

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cash and bank balances	8,165	3,078	320,623	122,322

At 31 December 2012, 2013, 2014 and 30 September 2015, the cash and bank balances of the Target Group denominated in RMB amounted to RMB1,670,900,000, RMB276,095,000, RMB1,189,360,000, and RMB1,359,229,000, respectively.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of each of the Relevant Periods.

23. TRADE AND BILLS PAYABLES

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Bills payable	118,645	235,542	13,783	4,562
Trade payables	573,232	631,935	702,399	575,340
	691,877	867,477	716,182	579,902

An aged analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Within 3 months	608,137	544,404	622,867	560,084
3 to 12 months	71,162	316,826	89,526	18,477
Over 1 year	12,578	6,247	3,789	1,341
	691,877	867,477	716,182	579,902

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

24. OTHER PAYABLES AND ACCRUALS

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Other payables	16,350	59,008	22,643	11,503
Accrued liabilities	330	1,547	1,230	7
Accrued payroll	25,934	30,351	34,701	20,278
Advances from customers	26,827	22,307	9,414	53,454
Taxes payable other than corporate income tax	3,627	5,689	12,483	4,597
	73,068	118,902	80,471	89,839

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Other payables	1,083	199	2,406	247
Accrued payroll	85	21	55	104
Taxes payable other than corporate income tax	100	160	6,830	(23)
	1,268	380	9,291	328

Other payables are non-interest-bearing.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Liabilities:				
Forward currency contracts	–	–	392	–

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Target Group *Rmb'000*
As at 31 December 2012			
Current			
Bank loans – unsecured	1.21-1.69	2013	395,484
As at 31 December 2013			
Current			
Bank loans – secured	1.21-3.74	2014	241,791
Non-current			
Bank loans – unsecured	1.56	2015	304,845
			546,636
As at 31 December 2014			
Current			
Bank loans – secured	1.03-2.13	2015	42,833
Bank loans – unsecured	1.80-1.93	2015	342,480
			385,313

Bank loans are secured certain trade receivables from export sales in the years ended 31 December 2013 and 2014.

27. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Target Group and Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Deferred tax assets	5,540	25,437	–	1,751
Deferred tax liabilities	–	–	(15,972)	–
	5,540	25,437	(15,972)	1,751

Deferred tax assets

	Deferred tax assets Fair value losses of available-for-sale investments	**Deferred tax liabilities Fair value gains of available-for-sale investments**
	Rmb'000	*Rmb'000*
Target Group and Target Company		
At 31 December 2011 and 1 January 2012	558	–
Deferred tax credited to other comprehensive income during the year	4,982	–
At 31 December 2012	5,540	–
At 31 December 2012 and 1 January 2013	5,540	–
Deferred tax credited to other comprehensive income during the year	19,897	–
At 31 December 2013	25,437	–
At 31 December 2013 and 1 January 2014	25,437	–
Deferred tax charged to other comprehensive income during the year	(25,437)	(15,972)
At 31 December 2014	–	(15,972)
At 31 December 2014 and 1 January 2015	–	(15,972)
Deferred tax charged to other comprehensive income during the period	–	(28,736)
Deferred tax utilised during the period	1,751	44,708
At 30 September 2015	1,751	–

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

The Target Group also has tax losses arising in Mainland China of RMB10,442,000, RMB10,704,000, RMB15,328,000, RMB17,590,000 and RMB30,737,000 as at 31 December 2011, 2012, 2013 and 2014 and 30 September 2015, respectively, that will expire in one to five years for offsetting against future taxable profits.

As at 30 September 2015, the Target Group has not recognised deductible temporary differences of RMB321,642,000.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences arisen in Mainland China as it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

28. PAID-IN CAPITAL

Registered and paid-in:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
China Shipping (Group) Company	1,315,617	2,148,617	2,148,617	2,442,587
Guangzhou Shipping (Group) Co., Ltd.	23,233	190,233	190,233	216,263
Shanghai Shipping (Group) Company	54,150	54,150	54,150	54,150
	1,393,000	2,393,000	2,393,000	2,713,000

29. RESERVES

Target Group

(a) Statutory Surplus Reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Target Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Special Reserves

The Target Group is required to make appropriations in accordance with CaiQi [2006] No 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the State Administration of Work Safety. The reserves are for future enhancement of safety production environment and improvement of facilities and are not available for distribution to shareholders.

Target Company

	Capital reserve	**Statutory surplus reserves**	**Other reserves**	**Retained earnings**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
At 31 December 2011	59,001	27,779	–	11,583	98,363
Profit for the year	–	–	–	16,381	16,381
Other comprehensive income:					
Change in fair value of available-for-sale investments, net of tax	–	–	(16,621)	–	(16,621)
Total comprehensive income for the year	–	–	(16,621)	16,381	(240)
Transfer from retained earnings	–	1,131	–	(1,131)	–
At 31 December 2012	59,001	28,910	(16,621)	26,833	98,123

	Capital reserve *Rmb'000*	Statutory surplus reserves *Rmb'000*	Other reserves *Rmb'000*	Retained earnings *Rmb'000*	Total *Rmb'000*
Profit for the year	–	–	–	19,154	19,154
Other comprehensive income:					
Change in fair value of available-for-sale investments, net of tax	–	–	(59,688)	–	(59,688)
Total comprehensive income for the year	–	–	(59,688)	19,154	(40,534)
Transfer from retained earnings	–	8,367	–	(8,367)	–
Dividends declared	–	–	–	(43,100)	(43,100)
At 31 December 2013	59,001	37,277	(76,309)	(5,480)	14,489
Profit for the year	–	–	–	496,036	496,036
Other comprehensive income:					
Change in fair value of available-for-sale investments, net of tax	–	–	124,225	–	124,225
Total comprehensive income for the year	–	–	124,225	496,036	620,261
Business combination under common control	(729)	–	–	–	(729)
Transfer from retained earnings	–	59,180	–	(59,180)	–
At 31 December 2014	58,272	96,457	47,916	431,376	634,021
At 31 December 2014	58,272	96,457	47,916	431,376	634,021
Profit for the year	–	–	–	62,108	62,108
Other comprehensive income:					
Change in fair value of available-for-sale investments, net of tax	–	–	86,208	–	86,208
Total comprehensive income for the period	–	–	86,208	62,108	148,316
Dividends declared	–	–	–	(130,119)	(130,119)
Disposal of subsidiaries	(58,272)	–	–	(403,721)	(461,993)
Disposal of investment properties and available- for-sale investments	–	–	–	(457,653)	(457,653)
At 30 September 2015	–	96,457	134,124	(498,009)	(267,428)
At 31 December 2013	59,001	37,277	(76,309)	(5,480)	14,489
Profit for the year	–	–	–	347,694	347,694
Other comprehensive income:					
Change in fair value of available-for-sale investments, net of tax	–	–	55,865	–	55,865
Total comprehensive income for the period	–	–	55,865	347,694	403,559
At 30 September 2014 (unaudited)	59,001	37,277	(20,444)	342,214	418,048

30. BUSINESS COMBINATION

On 6 January 2014, the Target Group acquired a 100% interest in Shanghai Zhenjing Industrial Co., Ltd. from a fellow subsidiary of the Target Company. Shanghai Zhenjing Industrial Co., Ltd. is engaged in investment property holding. Further details of the transaction are included in note 34(b)(i) to the Financial Information. The purchase consideration for the acquisition was in the form of cash, with RMB372,723,000 paid at the acquisition date. Shanghai Zhenjing Industrial Co., Ltd. was incorporated on 11 November 2013. Before and after combination, the Target Company and Shanghai Zhenjing Industrial Co., Ltd. are both under the control of China Shipping (Group) Company.

Book values of the assets and liabilities of Shanghai Zhenjing Industrial Co., Ltd. as at 6 January 2014 and 31 December 2013 are as follows:

	6 January 2014 and 31 December 2013 *RMB'000*
Cash and cash equivalents	17,948
Prepayments, deposits and other receivables	8
Property, plant and equipment	354,038
	371,994
Combination difference (charged to equity)	729
Consideration	372,723

31. DISPOSAL OF SUBSIDIARIES

On 29 December 2014, the Target Group sold 100% shares of a subsidiary, Shanghai Zhenjing Industrial Co., Ltd., to a third-party company, JINCHUANMAIKE Metal Resources Co., Ltd. ("金川邁科金屬資源有限公司") with a consideration of RMB43,929,000.

On 1 January 2015, the Target Group transferred 100% shares of four subsidiaries, Shanghai Zhenjing Industrial Co., Ltd., Shanghai Chutai Industrial Co., Ltd., Shanghai Chaokun Industrial Co., Ltd., and Shanghai Yuekun Industrial Co., Ltd. to China Shipping Property Co., Ltd., a fellow subsidiary of the Target Company. These four subsidiaries are engaged in investment property holding. No consideration was received from this transaction.

	As at 31 December 2014 *Rmb'000*	**As at 30 September 2015** *Rmb'000*
Net assets disposed of:		
Property, plant and equipments	112,642	3,307
Investment properties	–	429,686
Cash and cash equivalents	389	8,005
Prepayments, deposits and other receivables	93	18,812
Other payables and accruals	(123,701)	(4,323)
	(10,577)	455,487
Gain/(loss charged to equity) from disposal of subsidiaries	54,506	(455,487)
	43,929	–
Satisfied by:		
Cash	43,929	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Cash consideration	43,929	–
Cash and bank balances disposed of	(389)	(8,005)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	43,540	(8,005)

32. OPERATING LEASE COMMITMENTS

(a) As lessor

The Target Group leases its investment properties (note 11 to the Financial Information) under operating lease arrangements, with leases negotiated for terms ranging from two to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2012, 2013, 2014 and 30 September 2015, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Within one year	13,597	15,638	8,584	–
In the second to fifth years, inclusive	21,500	13,770	7,167	–
After five years	13,693	20,001	16,860	–
	48,790	49,409	32,611	–

(b) As lessee

The Target Group leases certain of its offices under operating lease arrangements. Leases for offices are negotiated for terms of one to seven years. As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Within one year	–	–	4,366	4,366
In the second to fifth years, inclusive	–	–	4,366	1,487
	–	–	8,732	5,853

33. COMMITMENTS

The Target Group had no capital commitments at the end of each of the Relevant Periods.

34. RELATED PARTY TRANSACTIONS

Details of the Target Group's principal related parties are as follows:

Company	Relationship
China Shipping (Group) Company	Ultimate and immediate holding shareholder
Guangzhou Maritime Transport (Group) Co., Ltd	Non-controlling shareholder
Dong Fang International Container Co., Ltd.	Fellow subsidiary and non-controlling shareholder of four subsidiaries

(a) Major transactions with related parties

In addition to the related party transactions set out in the respective notes to the Financial Information, the Target Group entered into the following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Sales to the holding company's fellow subsidiaries:					
Sale of containers	243,919	1,145,154	1,328,650	594,754	1,470,087
Sales to Guangzhou Maritime Transport (Group) Co., Ltd. and its fellow subsidiaries:					
Sales of raw materials	–	–	74,424	74,424	–
Purchase from the holding company's fellow subsidiaries:					
Purchase of raw material	–	–	34	–	295
Purchase from Guangzhou Maritime Transport (Group) Co., Ltd. and its fellow subsidiaries:					
Purchase of raw material	–	3,412	129,601	31,418	–
Service fees received from the holding company:					
Rentals	442	758	744	442	442
Service fees received from the holding company's fellow subsidiaries:					
Rentals	13,416	14,040	15,653	10,971	10,360
Others	570	1,268	2,118	1,313	2,515
	13,986	15,308	17,771	12,284	12,875

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000* *(unaudited)*	*Rmb'000*
Service fees paid to the holding company's fellow subsidiaries:					
Logistic services	9,431	55,851	81,635	50,103	43,923
Rentals	–	3,901	3,826	2,857	2,857
Others	–	–	9	–	8
	9,431	59,752	85,470	52,960	46,788
Service fees paid to Guangzhou Maritime Transport (Group) Co., Ltd.:					
Others	50	9,696	127	–	–
Loans from the holding company	1,500,000	1,000,000	600,000	–	500,000
Loans from the holding company's fellow subsidiaries	–	304,845	912,414	702,414	312,008

(b) Other transactions with related parties

(i) During 2014, the Target Group acquired a 100% interest in Shanghai Zhenjing Industrial Co., Ltd. from China Shipping Container Lines Company Limited, a fellow subsidiary of the Target Company. The purchase consideration for the acquisition was in the form of cash, with RMB372,723,000 paid at the acquisition date. The consideration is determined based on the book value of the net assets of Shanghai Zhenjing Industrial Co., Ltd. as at 31 December 2013. Further details of the transaction are included in note 30 to the Financial Information.

(ii) During 2015, the Target Group gratuitously transferred 100% shares of four subsidiaries, Shanghai Zhenjing Industrial Co., Ltd., Shanghai Chutai Industrial Co., Ltd., Shanghai Chaokun Industrial Co., Ltd., and Shanghai Yuekun Industrial Co., Ltd. to China Shipping Property Co., Ltd., a fellow subsidiary of the Target Company. These four subsidiaries are engaged in investment property holding. Further details of the transaction is included in note 31 to the Financial Information.

(iii) As at 30 September 2015, the Target Group gratuitously transferred investment properties of RMB146,493,000 to China Shipping Property Co., Ltd., a fellow subsidiary of the Target Company and available-for-sale investments of RMB311,160,000 to the holding company. Administrative procedures of property rights transfer for above transactions have not been completed by 30 September 2015.

(c) Outstanding balances with related parties

The Target Group had the following significant balances with its related parties during the Relevant Periods:

(i) Due from related parties

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Trade receivables	161,174	128,167	208,399	192,611
Prepayments	65	1	1	48
Other receivables	145	148	2,401	1,210
	161,384	128,316	210,801	193,869

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
The fellow subsidiaries:				
Other receivables	145	1,265	550	261

Amounts due from the related parties were interest-free, unsecured and have no fixed terms of repayment.

(ii) Due to related parties

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
The holding company:				
Trade payables	–	57	81	81
Other payables	1,500,067	–	603,176	586,643
The holding company's fellow subsidiaries:				
Trade payables	2,145	3,880	4,263	7,467
Advances from customers	–	–	–	66
Other payables	–	251	462,231	493,639
Guangzhou Maritime Transport (Group) Co., Ltd. and its fellow subsidiaries	2	141,433	61	58
	1,502,214	145,621	1,069,812	1,087,954

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
The holding company's fellow subsidiaries	–	–	75	75,765

Amounts due to the related parties were interest-free, unsecured and have no fixed terms of repayment.

(iii) Dividend payables

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Dong Fang International Container Co., Ltd.	33,390	101,776	9,148	14,112

(iv) Cash deposited in related party companies

Target Group

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
The holding company's fellow subsidiaries	1,636,689	118,684	370,732	803,178

Target Company

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
The holding company's fellow subsidiaries	7,956	3,018	280,470	122,154

The Target Group placed a certain portion of its cash at certain fellow subsidiaries. All of deposits at each of the end of Relevant Periods were demand deposits, therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with the fellow subsidiaries.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

As at 31 December 2012

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	949,315	949,315
Trade and bills receivables	164,271	–	164,271
Financial assets included in prepayments, deposits and other receivables	1,168	–	1,168
Due from related parties	161,319	–	161,319
Pledged deposits	2,275	–	2,275
Cash and cash equivalents	1,727,087	–	1,727,087
	2,056,120	949,315	3,005,435

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Trade and bills payables	691,877	–	691,877
Financial liabilities included in accruals and other payables	16,680	–	16,680
Interest-bearing bank and other borrowings	395,484	–	395,484
Due to related parties	1,502,212	–	1,502,212
	2,606,253	–	2,606,253

Target Group

As at 31 December 2013

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	869,730	869,730
Trade and bills receivables	336,892	–	336,892
Financial assets included in prepayments, deposits and other receivables	4,299	–	4,299
Due from related parties	128,315	–	128,315
Pledged deposits	2,703	–	2,703
Cash and cash equivalents	372,013	–	372,013
	844,222	869,730	1,713,952

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Trade and bills payables	867,477	–	867,477
Financial liabilities included in accruals and other payables	60,555	–	60,555
Interest-bearing bank and other borrowings	546,636	–	546,636
Due to related parties	7,649	–	7,649
	1,482,317	–	1,482,317

Target Group

As at 31 December 2014

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	835,366	835,366
Trade and bills receivables	177,789	–	177,789
Financial assets included in prepayments, deposits and other receivables	23,611	–	23,611
Due from related parties	210,800	–	210,800
Pledged deposits	500	–	500
Cash and cash equivalents	1,492,173	–	1,492,173
	1,904,873	835,366	2,740,239

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Trade and bills payables	716,182	–	716,182
Financial liabilities included in accruals and other payables	23,873	–	23,873
Interest-bearing bank and other borrowings	385,313	–	385,313
Derivative financial instruments	–	392	392
Due to related parties	1,069,786	–	1,069,786
	2,195,154	392	2,195,546

Target Group

As at 30 September 2015

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	641,623	641,623
Trade and bills receivables	63,662	–	63,662
Financial assets included in prepayments, deposits and other receivables	8,009	–	8,009
Due from related parties	193,821	–	193,821
Pledged deposits	500	–	500
Cash and cash equivalents	1,360,305	–	1,360,305
	1,626,297	641,623	2,267,920

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Trade and bills payables	579,902	–	579,902
Financial liabilities included in accruals and other payables	11,510	–	11,510
Due to related parties	1,087,871	–	1,087,871
	1,679,283	–	1,679,283

Target Company

As at 31 December 2012

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	949,315	949,315
Financial assets included in prepayments, deposits and other receivables	12	–	12
Due from related parties	145	–	145
Due from subsidiaries	121,169	–	121,169
Cash and cash equivalents	8,165	–	8,165
	129,491	949,315	1,078,806

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Financial liabilities included in accruals and other payables	1,083	–	1,083
Due to subsidiaries	554,200	–	554,200
	555,283	–	555,283

Target Company

As at 31 December 2013

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	869,730	869,730
Financial assets included in prepayments, deposits and other receivables	4	–	4
Due from related parties	1,265	–	1,265
Due from subsidiaries	126,556	–	126,556
Cash and cash equivalents	3,078	–	3,078
	130,903	869,730	1,000,633

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Total *Rmb'000*
Financial liabilities included in accruals and other payables	199	–	199
Due to subsidiaries	706,200	–	706,200
	706,399	–	706,399

Target Company

As at 31 December 2014

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	835,366	835,366
Due from related parties	550	–	550
Due from subsidiaries	122	–	122
Cash and cash equivalents	320,623	–	320,623
	321,295	835,366	1,156,661

Financial liabilities

	Financial liabilities at amortised cost *Rmb'000*	Financial liabilities at fair value through profit or loss *Rmb'000*	Total *Rmb'000*
Financial liabilities included in accruals and other payables	2,406	–	2,406
Due to related parties	75	–	75
Due to subsidiaries	396,206	–	396,206
	398,687	–	398,687

Target Company

As at 30 September 2015

Financial assets

	Loans and receivables *Rmb'000*	Available-for-sale financial assets *Rmb'000*	Total *Rmb'000*
Available-for-sale investments	–	641,623	641,623
Financial assets included in prepayments, deposits and other receivables	185	–	185
Due from related parties	261	–	261
Due from subsidiaries	2,221	–	2,221
Cash and cash equivalents	122,322	–	122,322
	124,989	641,623	766,612

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	Rmb'000	*Rmb'000*	*Rmb'000*
Financial liabilities included in accruals and other payables	247	–	247
Due to related parties	75,765	–	75,765
Due to subsidiaries	334,593	–	334,593
	410,605	–	410,605

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's and the Target Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Target Group

Carrying amounts

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Financial liabilities				
Non-current interest-bearing bank and other borrowings	–	304,845	–	–

Fair values

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Financial liabilities				
Non-current interest-bearing bank and other borrowings	–	304,845	–	–

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to related party companies to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at end of each of the Relevant Periods was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments with BNP Paribas. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group and Target Company's available-for-sale investments:

Target Group

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	576,715	–	–	576,715

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Non-current interest-bearing bank and other borrowings	–	304,845	–	304,845
Available-for-sale investments				
Equity investments	497,130	–	–	497,130
	497,130	304,845	–	801,975

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Financial liabilities at fair value through profit or loss – foreign exchange forward contracts	–	392	–	392
Available-for-sale investments				
Equity investments	462,766	–	–	462,766
	462,766	392	–	463,158

	Fair value measurement as at 30 September 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	580,183	–	–	580,183

Target Company

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	576,715	–	–	576,715

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	497,130	–	–	497,130

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	462,766	–	–	462,766

	Fair value measurement as at 30 September 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Available-for-sale investments				
Equity investments	580,183	–	–	580,183

During the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing loans and borrowings and cash. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's debt obligations with floating interest rates.

The Target Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the Rmb interest rate, with all other variables held constant, of the Target Group's profit before tax (through the impact on floating rate borrowings).

	Target Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		Rmb'000
As at 31 December 2012		
USD	100	(3,143)
USD	(100)	3,143
As at 31 December 2013		
USD	100	(3,048)
USD	(100)	3,048
As at 31 December 2014		
USD	100	(3,059)
USD	(100)	3,059
As at 30 September 2015		
USD	100	–
USD	(100)	–

Credit risk

The Target Group trades mainly with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region.

The Target Group had certain concentrations of credit risk as 24% and 39% as at 31 December 2012, 11% and 49% as at 31 December 2013, 34% and 79% as at 31 December 2014 and 76% and 98% as at 30 September 2015 of the Target Group's trade receivables were due from the Target Group's largest customer and the five largest customers, respectively. Management identified the largest customer and the five largest customers based on the sales to these customers in the Relevant Periods.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Financial Information.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Target Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Group

As at 31 December 2012

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Interest-bearing bank and other borrowings	–	396,654	–	–	396,654
Trade and bills payables	–	691,877	–	–	691,877
Other payables	16,350	–	–	–	16,350
Due to related parties	1,502,212	–	–	–	1,502,212
	1,518,562	1,088,531	–	–	2,607,093

As at 31 December 2013

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Interest-bearing bank and other borrowings	–	242,785	–	310,988	553,773
Trade and bills payables	–	867,477	–	–	867,477
Other payables	59,008	–	–	–	59,008
Due to related parties	7,649	–	–	–	7,649
	66,657	1,110,262	–	310,988	1,487,907

As at 31 December 2014

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Interest-bearing bank and other borrowings	–	386,746	–	–	386,746
Trade and bills payables	–	716,182	–	–	716,182
Other payables	22,643	–	–	–	22,643
Due to related parties	1,069,786	–	–	–	1,069,786
	1,092,429	1,102,928	–	–	2,195,357

Target Group

As at 30 September 2015

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Trade and bills payables	–	579,902	–	–	579,902
Other payables	11,503	–	–	–	11,503
Due to related parties	1,087,871	–	–	–	1,087,871
	1,099,374	579,902	–	–	1,679,276

The maturity profile of the Target Company's financial liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015, based on contractual undiscounted payments, is as follows:

Target Company

As at 31 December 2012

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Other payables	1,083	–	–	–	1,083
Due to subsidiaries	554,200	–	–	–	554,200
	555,283	–	–	–	555,283

As at 31 December 2013

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Other payables	199	–	–	–	199
Due to subsidiaries	706,200	–	–	–	706,200
	706,399	–	–	–	706,399

Target Company

As at 31 December 2014

	On demand *Rmb'000*	Less than 3 months *Rmb'000*	3 to 12 months *Rmb'000*	12 to 24 months *Rmb'000*	Total *Rmb'000*
Other payables	2,406	–	–	–	2,406
Due to related parties	75	–	–	–	75
Due to subsidiaries	396,206	–	–	–	396,206
	398,687	–	–	–	398,687

As at 30 September 2015

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Other payables	247	–	–	–	247
Due to related parties	75,765	–	–	–	75,765
Due to subsidiaries	334,593	–	–	–	334,593
	410,605	–	–	–	410,605

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Group's policy is to keep the gearing ratio below 40%. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals, dividend payables, tax payables and amounts due to related parties, less cash and cash equivalents. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Target Group

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
Interest-bearing bank and other borrowings	395,484	546,636	385,313	–
Trade and bills payables	691,877	867,477	716,182	579,902
Other payables and accruals	16,680	60,555	23,873	11,510
Dividend payables	33,390	101,776	9,148	14,112
Tax payables	–	–	50,030	33,790
Due to related parties	1,502,212	7,649	1,069,812	1,087,871
Less: Cash and cash equivalents including pledged deposits	(1,729,362)	(374,716)	(1,492,673)	(1,360,805)
Net debt	910,281	1,209,377	761,685	366,380
Total capital	2,343,330	3,624,036	3,724,195	3,210,076
Total capital and net debt	3,253,611	4,833,413	4,485,880	3,576,456
Gearing ratio	28%	25%	17%	10%

38. EVENTS AFTER THE RELEVANT PERIODS

To the date of this report, no material subsequent event requiring disclosure occurred.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 December 2015

The Board of Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We set out below our report on the financial information of China Shipping Finance Co., Ltd. ("CS Finance") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of CS Finance for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods"), and the statements of financial position of CS Finance as at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of CS Finance for the nine months ended 30 September 2014 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular issued by China Shipping Container Lines Company Limited (the "Company") dated on 31 December 2015 (the "Circular") in connection with the Company's proposed acquisition of the 40% issued capital of CS Finance (the "Acquisition").

CS Finance was established in the People's Republic of China ("PRC") as a company with limited liability on 30 December 2009. During the Relevant Periods, the principal activity of CS Finance was the provision of financing services to its member units.

The statutory financial statements of the CS Finance for the years ended 31 December 2012 and 2013 and 2014 have been prepared by the CS Finance in accordance with Accounting Standards for Business Enterprises. The statutory financial statements for the year ended 31 December 2012 and 2013 were audited by Baker Tilly China Certified Public Accountants ("天職國際會計師事務所(特殊普通合伙)") and the statutory financial statements for the year ended 31 December 2014 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP ("立信會計師事務所(特殊普通合伙)"), both registered in the PRC.

For the purpose of this report, the directors of CS Finance (the "Directors") have prepared the financial statements of CS Finance (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of CS Finance as at 31 December 2012, 2013 and 2014 and 30 September 2015, and of the financial performance and cash flows of CS Finance for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Interest income	3	441,329	389,860	425,382	319,645	276,641
Interest expense	3	(178,105)	(120,326)	(124,001)	(87,689)	(99,769)
Net interest income	3	263,224	269,534	301,381	231,956	176,872
Net fee and commission income	4	3,703	2,660	2,287	1,886	2,801
Other income and gains, net	5	131	21,268	33,061	10,362	51,789
Net operating income		267,058	293,462	336,729	244,204	231,462
Operating expenses		(46,878)	(50,128)	(56,078)	(36,670)	(35,277)
(Charge)/reversal of impairment losses on loans		(18,358)	(22,385)	3,352	2,727	23,246
Profit before tax	6	201,822	220,949	284,003	210,261	219,431
Income tax expense	7	(50,805)	(55,345)	(71,061)	(52,566)	(45,915)
Profit for the year/period		151,017	165,604	212,942	157,695	173,516
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale financial investments:						
Change in fair value		–	–	24,600	19,964	2,404
Income tax effect		–	–	(6,150)	(4,991)	(601)
Other comprehensive income for the year/period, net of tax		–	–	18,450	14,973	1,803
Total comprehensive income for the year/period		151,017	165,604	231,392	172,668	175,319

Statements of financial position

	Notes	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 September 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Due from the central bank	*9*	1,404,311	1,305,846	1,259,395	535,699
Due from banks	*10*	4,475,778	3,519,978	4,708,786	2,864,398
Held-for-trading financial assets	*12*	–	–	180,231	20,194
Loans to fellow subsidiaries	*13/26(b)*	3,776,269	4,551,799	4,518,566	2,537,915
Loans to other related parties	*13/26(b)*	–	97,490	–	1,074,051
Loan and receivables	*13*	–	250,000	92,000	150,000
Due from the ultimate holding company	*26(b)*	–	–	–	227
Due from fellow subsidiaries	*26(b)*	7,367	8,138	7,960	3,213
Due from other related parties	*26(b)*	–	159	–	1,382
Available-for-sale financial investments	*14*	200,000	–	394,600	517,004
Property and equipment	*15*	7,525	5,795	4,300	3,037
Intangible assets	*16*	3,330	4,094	3,115	2,382
Deferred tax assets	*17*	14,524	17,882	17,379	13,892
Other assets	*18*	129,400	7,425	12,047	8,706
Total assets		10,018,504	9,768,606	11,198,379	7,732,100
LIABILITIES					
Due to customers	*19*	42,840	46,826	60,218	70,210
Deposits from the ultimate holding company	*19/26(b)*	1,707,628	2,646,722	3,196,036	351,721
Deposits from fellow subsidiaries	*19/26(b)*	7,296,274	6,071,549	6,790,323	6,049,060
Deposits from other related parties	*19/26(b)*	24,497	15,513	6,881	81,863
Due to the ultimate holding company	*26(a)*	5,818	6,165	7,866	5,095
Due to fellow subsidiaries	*26(a)*	90,044	14,420	20,141	32,944
Due to other related parties	*26(a)*	–	1	1	78
Income tax payable		16,226	33,953	17,755	5,708
Deferred tax liabilities	*17*	–	–	6,150	6,751
Defined benefit obligations	*20*	–	–	–	220
Other liabilities	*21*	6,449	6,325	10,884	5,107
Total liabilities		9,189,776	8,841,474	10,116,255	6,608,757
Net assets		828,728	927,132	1,082,124	1,123,343
EQUITY					
Share capital	*22*	600,000	600,000	600,000	600,000
Reserves	*23*	228,728	327,132	482,124	523,343
Total equity		828,728	927,132	1,082,124	1,123,343

Statements of changes in equity

	Share capital RMB'000 (note 22)	Available-for-sale financial investment revaluation surplus RMB'000 (note 23 (i))	Statutory reserve funds RMB'000 (note 23 (ii))	General reserves RMB'000 (note 23 (iii))	Proposed dividend	Retained profits RMB'000	Total equity RMB'000
31 December 2012							
At 1 January 2012	600,000	–	14,001	1,400	45,000	62,310	722,711
Profit for the year	–	–	–	–	–	151,017	151,017
Final 2011 dividend declared	–	–	–	–	(45,000)	–	(45,000)
Proposed final 2012 dividend	–	–	–	–	67,200	(67,200)	–
Transfer from retained profits	–	–	15,102	1,510	–	(16,612)	–
At 31 December 2012 and 1 January 2013	600,000	–	29,103	2,910	67,200	129,515	828,728
31 December 2013							
At 1 January 2013	600,000	–	29,103	2,910	67,200	129,515	828,728
Profit for the year	–	–	–	–	–	165,604	165,604
Final 2012 dividend declared	–	–	–	–	(67,200)	–	(67,200)
Proposed final 2013 dividend	–	–	–	–	76,400	(76,400)	–
Transfer from retained profits	–	–	16,560	53,549	–	(70,109)	–
At 31 December 2013 and 1 January 2014	600,000	–	45,663	56,459	76,400	148,610	927,132
31 December 2014							
At 1 January 2014	600,000	–	45,663	56,459	76,400	148,610	927,132
Profit for the year	–	–	–	–	–	212,942	212,942
Other comprehensive income for the year	–	18,450	–	–	–	–	18,450
Total comprehensive income for the year	–	18,450	–	–	–	212,942	231,392
Final 2013 dividend declared	–	–	–	–	(76,400)	–	(76,400)
Proposed final 2014 dividend	–	–	–	–	134,100	(134,100)	–
Transfer from retained profits	–	–	21,294	24,062	–	(45,356)	–
At 31 December 2014 and 1 January 2015	600,000	18,450	66,957	80,521	134,100	182,096	1,082,124
30 September 2015							
At 1 January 2015	600,000	18,450	66,957	80,521	134,100	182,096	1,082,124
Profit for the period	–	–	–	–	–	173,516	173,516
Other comprehensive income for the period	–	1,803	–	–	–	–	1,803
Total comprehensive income for the period	–	1,803	–	–	–	173,516	175,319
Final 2014 dividend declared	–	–	–	–	(134,100)	–	(134,100)
At 30 September 2015	600,000	20,253	66,957	80,521	–	355,612	1,123,343
30 September 2014							
At 1 January 2014	600,000	–	45,663	56,459	76,400	148,610	927,132
Profit for the period	–	–	–	–	–	157,695	157,695
Other comprehensive income for the period	–	14,973	–	–	–	–	14,973
Total comprehensive income for the period	–	14,973	–	–	–	157,695	172,668
Final 2013 dividend declared	–	–	–	–	(76,400)	–	(76,400)
At 30 September 2014 (Unaudited)	600,000	14,973	45,663	56,459	–	306,305	1,023,400

These reserve accounts comprise the reserves of RMB228,728,000, RMB327,132,000, RMB482,124,000 and RMB523,343,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015, respectively, in the statement of financial position.

Statements of cash flows

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		201,822	220,949	284,003	210,261	219,431
Adjustments for:						
Depreciation and amortisation	6	1,906	3,030	3,556	2,650	2,772
Loss on disposal of items of property and equipment	6	–	1	6	–	–
Changes in fair value of held-for-trading financial investments	5	–	–	(231)	–	(11)
Charge/(reversal) of impairment losses on loans	6	18,358	22,385	(3,352)	(2,727)	(23,246)
Defined benefit plan cost	6	–	–	–	–	220
		222,086	246,365	283,982	210,184	199,166
(Increase)/decrease in mandatory reserves with the central bank		(462,324)	98,466	46,444	101,428	723,703
(Increase)/decrease in amounts due from banks		(3,031,428)	2,831,428	(100,000)	(100,000)	150,000
(Increase)/decrease in held-for-trading financial assets		–	–	(180,000)	–	160,048
(Increase)/decrease in loans to fellow subsidiaries		(734,315)	(795,415)	34,085	9,092	2,031,437
(Increase)/decrease in loans to other related parties		–	(99,990)	99,990	99,990	(1,101,591)
(Increase)/decrease in loan and receivables		–	(250,000)	158,000	47,000	(58,000)
Increase in amounts due from the ultimate holding company		–	–	–	–	(227)
Decrease/(increase) in amounts due from fellow subsidiaries		191	(771)	178	846	4,747
Decrease/(increase) in amounts due from other related parties		354	(159)	159	159	(1,382)
(Increase)/decrease in available-for-sale financial investments		(200,000)	200,000	(370,000)	(420,000)	(120,000)
(Increase)/decrease in other assets		(122,772)	121,975	(4,622)	(11,841)	5,856
(Decrease)/increase in amounts due to customers		(11,354)	3,986	13,392	(46,826)	9,992
Increase/(decrease) in deposits from the ultimate holding company		1,468,822	939,094	549,314	(207,843)	(2,844,315)
Increase/(decrease) in deposits from fellow subsidiaries		2,239,179	(1,224,725)	718,774	(32,440)	(741,263)
Increase/(decrease) in deposits from other related parties		24,497	(8,984)	(8,632)	33,973	74,982
Increase/(decrease) in amounts due to the ultimate holding company		3,233	347	1,701	(592)	(2,771)
Increase/(decrease) in amounts due to fellow subsidiaries		82,481	(75,624)	5,721	7,760	12,803
(Decrease)/increase in amounts due to other related parties		(2)	1	–	–	77
Increase/(decrease) in other liabilities		2,012	(124)	4,559	619	(5,777)
Cash (used in)/generated from operations		(519,340)	1,985,870	1,253,045	(308,491)	(1,502,515)
Income tax paid		(48,907)	(40,976)	(86,756)	(66,238)	(54,475)
Net cash flows (used in)/generated from operating activities		(568,247)	1,944,894	1,166,289	(374,729)	(1,556,990)

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property and equipment		(2,368)	(585)	(1,088)	(1,079)	(776)
Purchases of items of intangible assets		(3,296)	(1,480)	–	–	(2,515)
Net cash flows used in investing activities		(5,664)	(2,065)	(1,088)	(1,079)	(3,291)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid		(45,000)	(67,200)	(76,400)	(76,400)	(134,100)
Net cash flows used in financing activities		(45,000)	(67,200)	(76,400)	(76,400)	(134,100)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(618,911)	1,875,629	1,088,801	(452,208)	(1,694,381)
Cash and cash equivalents at beginning of year/period		2,063,270	1,444,359	3,319,988	3,319,988	4,408,789
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*11*	1,444,359	3,319,988	4,408,789	2,867,780	2,714,408

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

CS Finance is a limited liability company established in the PRC on 30 December 2009. The registered office of CS Finance is located at 5/F., 670 Dongdaming Road, Shanghai, PRC.

During the Relevant Periods, the principal activity of CS Finance was the provision of financing services to its member units. Member units include fellow subsidiaries, the entities in which the ultimate holding company and its subsidiaries collectively have no less than 20% of shareholding and can exercise significant influence, the entities in which the ultimate holding company and its subsidiaries collectively are the largest shareholder if shareholding less than 20% and public institutions and social bodies affiliate to the ultimate holding company and its subsidiaries.

In the opinion of the Directors, the parent and the ultimate parent of CS Finance is China Shipping (Group) Company ("CS Group"), a state-owned enterprise administrated by the State-owned Assets Supervision and Administration Commission.

The statutory financial statements of CS Finance for the years ended 31 December 2012 and 2013 and for the year ended 31 December 2014 prepared under PRC GAAP were audited by Baker Tilly China Certified Public Accountants and BDO China Shu Lun Pan Certified Public Accountants LLP, respectively.

2.1 BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by CS Finance in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for held-for-trading financial assets and equity investments in available-for-sale investments measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

CS Finance has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

Amendments to HKAS 1	*Disclosure Initiative*[1]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to CS Finance

While the adoption of some of the new and revised HKFRSs may result in changes in accounting policies, none of these amendments is expected to have a significant impact on CS Finance's results of operations and financial position, except the followings:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. CS Finance expects to adopt HKFRS 9 from 1 April 2018. CS Finance expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of CS Finance's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to CS Finance if:

(a) the party is a person or a close member of that person's family and that person:

 (i) has control or joint control over CS Finance;

 (ii) has significant influence over CS Finance; or

 (iii) is a member of the key management personnel of CS Finance or of a parent of CS Finance;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and CS Finance are members of the same group;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and CS Finance are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either CS Finance or an entity related to CS Finance;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, CS Finance recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principle depreciation rates used for this purpose are as follows:

Security equipment	2.5% – 10.0%
Motor vehicles	12.0% – 19.2%
Communication equipment	12.0% – 32.0%
Office equipments	9.6% – 48.0%
Leasehold improvements	20.0%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where CS Finance is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that CS Finance commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at fair value through profit or loss*

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Recognition of income and expense" below.

  Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in impairment on loans and receivables.

- *Available-for-sale financial investments*

  Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

  After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss in accordance with the policies set out for "Revenue recognition" below.

  When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant of that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

  CS Finance evaluates whether the ability and intention to sell its available-for-sale financial investments in the near term are still appropriate. When, in rare circumstances, CS Finance is unable to trade these financial assets due to inactive markets, CS Finance may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from CS Finance's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- CS Finance has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) CS Finance has transferred substantially all the risks and rewards of the asset, or (b) CS Finance has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When CS Finance has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, CS Finance continues to recognise the transferred asset to the extent of CS Finance's continuing involvement. In that case, CS Finance also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that CS Finance has retained.

Impairment of financial assets

CS Finance assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, CS Finance first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If CS Finance determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to CS Finance.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to reversal of impairment losses in the statement of profit or loss.

- ***Assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

- ***Available-for-sale financial investments***

For available-for-sale financial investments, CS Finance assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss--is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

CS Finance's financial liabilities include amounts due to customers, deposits from the ultimate holding company, deposits from fellow subsidiaries, deposits from other related parties, amounts due to the ultimate holding company, amounts due to fellow subsidiaries, amounts due to other related parties and other financial liabilities in other liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

- *Loans and borrowings*

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise unrestricted balances with the central bank and amounts due from banks less deposits with original maturity of more than three months.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Income tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the PRC, the country in which CS Finance operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Recognition of income and expense

Revenue is recognised when it is probable that the economic benefits will flow to CS Finance and when the revenue can be measured reliably, on the following bases:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if CS Finance revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fee and commission income is recognised when the services have been rendered and the revenue can be reasonably estimated.

Dividend income

Dividend income is recognised when CS Finance's right to receive payment is established.

Employee benefits

The employees of CS Finance are required to participate in a central pension scheme operated by the local municipal government. CS Finance is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined benefit plan

CS Finance operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

CS Finance recognises the changes of current service costs in the net defined benefit obligation under "operating expenses" in the statement of profit or loss.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Fiduciary activities

Where CS Finance acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

CS Finance grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. CS Finance, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. CS Finance has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. CS Finance charges a commission related to its activities in connection with entrusted loans which are recognised over the period in which the service is provided. The risk of loss is borne by those trustors.

Foreign currencies

These financial statements are presented in RMB, which is CS Finance's functional and presentation currency. Foreign currency transactions recorded by CS Finance are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

Judgement

In the process of applying CS Finance's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Information:

(a) Classification of financial assets

Management exercises significant judgement to determine the classification of financial assets. Different classifications of financial assets result in different accounting treatments.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment losses on loans

CS Finance determines periodically whether there is any objective evidence that an impairment loss on loans and advances has been incurred. If any such evidence exists, CS Finance assesses the amount of impairment losses. The amount of impairment losses are measured as the difference between the carrying amount and the present value of estimated future cash flows. In assessing the amount of impairment losses, significant judgements are required as to whether objective evidence for impairment exists and also significant estimates are required in assessing the present value of expected future cash flows.

(b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Defined benefit plan

The cost of the defined benefit plan and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each of the end of Relevant Periods if applicable.

3. NET INTEREST INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on:					
Loans to fellow subsidiaries	211,708	221,426	274,791	206,673	82,863
Loans to other related parties	–	5,266	–	–	80,213
Due from the central bank	20,521	16,612	18,633	13,929	10,856
Due from banks	206,098	136,890	111,696	82,998	95,580
Financial investments	3,002	9,666	20,262	16,045	7,129
	441,329	389,860	425,382	319,645	276,641
Interest expense on:					
Due to customers	911	877	992	726	1,029
Deposits from the ultimate holding company	41,440	19,890	30,856	23,596	15,723
Deposits from fellow subsidiaries	135,735	99,504	92,139	63,357	82,586
Deposits from other related parties	19	55	14	10	431
	178,105	120,326	124,001	87,689	99,769
Net interest income	263,224	269,534	301,381	231,956	176,872

4. NET FEE AND COMMISSION INCOME

Net fee and commission income was mainly derived from the settlement business and agency services during the Relevant Periods.

5. OTHER INCOME AND GAINS, NET

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income:					
Government grants	–	21,268	10,583	4,515	8,510
Others	–	–	130	–	100
	–	21,268	10,713	4,515	8,610
Gains, net:					
Fair value gains on held-for-trading financial assets	–	–	231	–	11
Gains on disposal of held-for-trading financial assets	–	–	2,923	2,923	730
Gains on disposal of available-for-sale financial investments	–	–	7,292	474	3,682
Dividend income from available-for-sale financial investments	–	–	10,344	996	35,953
Exchange gain	131	–	1,558	1,454	2,803
	131	–	22,348	5,847	43,179
Other income and gains, net	131	21,268	33,061	10,362	51,789

6. PROFIT BEFORE TAX

CS Finance's profit before tax is arrived at after charging/(crediting):

	Note	Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation and amortisation		1,906	3,030	3,556	2,650	2,772
Operating lease expenses		4,019	4,019	4,019	3,014	3,014
Employee benefit expense:						
Salaries and other staff costs		16,490	18,831	21,894	11,783	14,259
Retirement benefit defined contribution fund		1,822	2,201	2,257	1,676	2,097
Defined benefit plan cost		–	–	–	–	220
		18,312	21,032	24,151	13,459	16,576
Government grants	*5*	–	21,268	10,583	4,515	8,510
Foreign exchange differences, net		131	(341)	1,558	1,454	2,803
Charge/(reversal) of impairment losses on loans		18,358	22,385	(3,352)	(2,727)	(23,246)
Loss on disposal of items of property and equipment		–	1	6	–	–

7. INCOME TAX

CS Finance is subject to PRC enterprise income tax on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	53,559	58,703	70,558	52,157	42,428
Deferred tax *(note 17)*	(2,754)	(3,358)	503	409	3,487
	50,805	55,345	71,061	52,566	45,915

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	201,822	220,949	284,003	210,261	219,431
Tax at the statutory tax rate	50,456	55,237	71,001	52,565	54,858
Adjustments in respect of current tax of a previous periods	222	–	–	–	(58)
Expenses not deductible for tax	127	108	60	1	45
Income not subject to tax	–	–	–	–	(8,988)
Temporary differences not recognised	–	–	–	–	58
Tax charge at the effective rate	50,805	55,345	71,061	52,566	45,915

8. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Proposed dividends	67,200	76,400	134,100	–	–

Proposed final dividends per share for the years ended 31 December 2012, 2013 and 2014 were RMB0.11, RMB0.13 and RMB0.22, respectively, which were approved by CS Finance's shareholders at the respective annual general meetings. There was no proposed interim dividend for the nine months ended 30 September 2014 and 2015.

9. DUE FROM THE CENTRAL BANK

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mandatory reserves with the central bank *(note i)*	1,404,302	1,305,836	1,259,392	535,689
Surplus reserves with the central bank *(note ii)*	9	10	3	10
	1,404,311	1,305,846	1,259,395	535,699

Notes:

(i) CS Finance is required to place mandatory reserve deposits with the People's Bank of China ("PBOC"), the PRC central bank. Mandatory reserve deposits with the central bank are not available for use in CS Finance's daily operations. The mandatory reserves ratios for eligible RMB deposits and foreign currency deposits were 15% and 5%, 15% and 5%, 14.5% and 5% and 8% and 5% as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

(ii) The surplus reserves with PBOC are mainly for clearing.

10. DUE FROM BANKS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Banks operating in the PRC	4,475,778	3,519,978	4,708,786	2,864,398

11. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Surplus reserves with the central bank *(note 9)*	9	10	3	10
Due from banks *(note 10)*	4,475,778	3,519,978	4,708,786	2,864,398
Less: time deposits with original maturity of more than three months	3,031,428	200,000	300,000	150,000
Cash and cash equivalents	1,444,359	3,319,988	4,408,789	2,714,408

12. HELD-FOR-TRADING FINANCIAL ASSETS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at market price:				
Open-ended funds	–	–	180,231	20,194

13. LOANS AND ADVANCES

Loans and advances include loans to fellow subsidiaries and loans to other related parties as follows:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans to fellow subsidiaries	3,776,269	4,551,799	4,518,566	2,537,915
Loans to other related parties	–	97,490	–	1,074,051
Loan and receivables	–	250,000	92,000	150,000
	3,776,269	4,899,289	4,610,566	3,761,966

The tables below summarise loans and advances by natures:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate loans	3,820,387	4,461,666	4,634,427	3,704,581
Discounted bills	52,710	306,836	–	–
Trust products	–	250,000	92,000	150,000
	3,873,097	5,018,502	4,726,427	3,854,581
Impairment losses on loans	(96,828)	(119,213)	(115,861)	(92,615)
	3,776,269	4,899,289	4,610,566	3,761,966

Trust products were debt instruments as the underlying portfolio of those products were trust loans.

The original maturities of the trust products ranged from six months to two years. The expected yield per annum ranged from 7.2% to 10.8%.

The tables below summarise the movement of impairment losses on loans:

	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	78,470	96,828	119,213	115,861
Impairment allowances charged	115,010	137,765	95,060	120,708
Reversal of impairment allowances	(96,652)	(115,380)	(98,412)	(143,954)
At 31 December/30 September	96,828	119,213	115,861	92,615

14. AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at market value:				
Open-ended funds	–	–	394,600	517,004
	–	–	394,600	517,004
Debt instrument:				
Wealth management products	200,000	–	–	–
	200,000	–	–	–
	200,000	–	394,600	517,004

15. PROPERTY AND EQUIPMENT

	Security equipment	Motor vehicles	Communication equipment	Office equipment	Leasehold Improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011 and at 1 January 2012:						
Cost	568	1,163	927	1,770	3,916	8,344
Accumulated depreciation	(64)	(137)	(182)	(510)	(521)	(1,414)
Net carrying amount	504	1,026	745	1260	3,395	6,930
At 1 January 2012, net of accumulated depreciation	504	1,026	745	1,260	3,395	6,930
Additions	–	–	294	2,000	74	2,368
Depreciation provided during the year	(109)	(140)	(207)	(528)	(789)	(1,773)
At 31 December 2012, net of accumulated depreciation	395	886	832	2,732	2,680	7,525
At 31 December 2012:						
Cost	568	1,163	1,221	3,770	3,990	10,712
Accumulated depreciation	(173)	(277)	(389)	(1,038)	(1,310)	(3,187)
Net carrying amount	395	886	832	2,732	2,680	7,525
At 31 December 2012 and at 1 January 2013:						
Cost	568	1,163	1,221	3,770	3,990	10,712
Accumulated depreciation	(173)	(277)	(389)	(1,038)	(1,310)	(3,187)
Net carrying amount	395	886	832	2,732	2,680	7,525
			–	–		

	Security equipment *RMB'000*	Motor vehicles *RMB'000*	Communication equipment *RMB'000*	Office equipment *RMB'000*	Leasehold Improvements *RMB'000*	Total *RMB'000*
At 1 January 2013, net of accumulated depreciation	395	886	832	2,732	2,680	7,525
Additions	–	–	6	579	–	585
Disposals	–	–	–	(1)	–	(1)
Depreciation provided during the year	(109)	(140)	(249)	(1,018)	(798)	(2,314)
At 31 December 2013, net of accumulated depreciation	286	746	589	2,292	1,882	5,795
At 31 December 2013:						
Cost	568	1,163	1,227	4,314	3,990	11,262
Accumulated depreciation	(282)	(417)	(638)	(2,022)	(2,108)	(5,467)
Net carrying amount	286	746	589	2,292	1,882	5,795
At 31 December 2013 and at 1 January 2014:						
Cost	568	1,163	1,227	4,314	3,990	11,262
Accumulated depreciation	(282)	(417)	(638)	(2,022)	(2,108)	(5,467)
Net carrying amount	286	746	589	2,292	1,882	5,795
At 1 January 2014, net of accumulated depreciation	286	746	589	2,292	1,882	5,795
Additions	–	–	–	1,088	–	1,088
Disposals	–	–	–	(6)	–	(6)
Depreciation provided during the year	(109)	(140)	(246)	(1,284)	(798)	(2,577)
At 31 December 2014, net of accumulated depreciation	177	606	343	2,090	1,084	4,300
At 31 December 2014:						
Cost	568	1,163	1,227	5,265	3,990	12,213
Accumulated depreciation	(391)	(557)	(884)	(3,175)	(2,906)	(7,913)
Net carrying amount	177	606	343	2,090	1,084	4,300
At 31 December 2014 and at 1 January 2015:						
Cost	568	1,163	1,227	5,265	3,990	12,213
Accumulated depreciation	(391)	(557)	(884)	(3,175)	(2,906)	(7,913)
Net carrying amount	177	606	343	2,090	1,084	4,300

	Security equipment *RMB'000*	Motor vehicles *RMB'000*	Communication equipment *RMB'000*	Office equipment *RMB'000*	Leasehold Improvements *RMB'000*	Total *RMB'000*
At 1 January 2015, net of accumulated depreciation	177	606	343	2,090	1,084	4,300
Additions	–	–	–	776	–	776
Depreciation provided during the period	(82)	(105)	(185)	(1,069)	(598)	(2,039)
At 30 September 2015, net of accumulated depreciation	95	501	158	1,797	486	3,037
At 30 September 2015:						
Cost	568	1,163	1,227	6,041	3,990	12,989
Accumulated depreciation	(473)	(662)	(1,069)	(4,244)	(3,504)	(9,952)
Net carrying amount	95	501	158	1,797	486	3,037

16. INTANGIBLE ASSETS

	Car license *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2012			
At 31 December 2011 and at 1 January 2012:			
Cost	189	–	189
Accumulated amortisation	(22)	–	(22)
Net carrying amount	167	–	167
At 1 January 2012, net of accumulated amortisation	167	–	167
Addition	–	3,296	3,296
Amortisation provided during the year	(24)	(109)	(133)
At 31 December 2012, net of accumulated amortisation	143	3,187	3,330
At 31 December 2012:			
Cost	189	3,296	3,485
Accumulated amortisation	(46)	(109)	(155)
Net carrying amount	143	3,187	3,330
31 December 2013			
At 31 December 2012 and at 1 January 2013:			
Cost	189	3,296	3,485
Accumulated amortisation	(46)	(109)	(155)
Net carrying amount	143	3,187	3,330

	Car license *RMB'000*	Software *RMB'000*	Total *RMB'000*
At 1 January 2013, net of accumulated amortisation and impairment	143	3,187	3,330
Addition	–	1,480	1,480
Amortisation provided during the year	(24)	(692)	(716)
At 31 December 2013, net of accumulated amortisation	119	3,975	4,094
At 31 December 2013:			
Cost	189	4,776	4,965
Accumulated amortisation	(70)	(801)	(871)
Net carrying amount	119	3,975	4,094
31 December 2014			
At 31 December 2013 and at 1 January 2014:			
Cost	189	4,776	4,965
Accumulated amortisation	(70)	(801)	(871)
Net carrying amount	119	3,975	4,094
At 1 January 2014, net of accumulated amortisation	119	3,975	4,094
Amortisation provided during the year	(24)	(955)	(979)
At 31 December 2014, net of accumulated amortisation	95	3,020	3,115
At 31 December 2014:			
Cost	189	4,776	4,965
Accumulated amortisation	(94)	(1,756)	(1,850)
Net carrying amount	95	3,020	3,115
30 September 2015			
At 31 December 2014 and at 1 January 2015:			
Cost	189	4,776	4,965
Accumulated amortisation	(94)	(1,756)	(1,850)
Net carrying amount	95	3,020	3,115
At 1 January 2015, net of accumulated amortisation	95	3,020	3,115
Amortisation provided during the period	(18)	(715)	(733)
At 30 September 2015, net of accumulated amortisation	77	2,305	2,382
At 30 September 2015:			
Cost	189	4,776	4,965
Accumulated amortisation	(112)	(2,471)	(2,583)
Net carrying amount	77	2,305	2,382

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets:

	Impairment losses on loans *RMB'000*
At 1 January 2012	11,770
Deferred tax credited to the statement of profit or loss during the year *(note 7)*	2,754
Gross deferred tax assets at 31 December 2012 and 1 January 2013	14,524
Deferred tax credited to the statement of profit or loss during the year *(note 7)*	3,358
Gross deferred tax assets at 31 December 2013 and 1 January 2014	17,882
Deferred tax charged to the statement of profit or loss during the year *(note 7)*	(503)
Gross deferred tax assets at 31 December 2014 and 1 January 2015	17,379
Deferred tax charged to the statement of profit or loss during the period *(note 7)*	(3,487)
Gross deferred tax assets at 30 September 2015	13,892

Deferred tax liabilities:

	Changes in fair value of available-for-sale financial investments *RMB'000*
At 1 January 2012, 31 December 2012, 1 January 2013, 31 December 2013 and 1 January 2014	–
Deferred tax charged to other comprehensive income during the year	6,150
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015	6,150
Deferred tax charged to other comprehensive income during the period	601
Gross deferred tax liabilities at 30 September 2015	6,751

As at 31 December 2012, 2013, 2014 and 30 September 2015, CS Finance has not recognised deductible temporary differences of nil, nil, nil and RMB220,000, respectively.

18. OTHER ASSETS

	As at 31 December			**As at 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest receivables	128,755	7,425	12,047	5,955
Long-term prepayment	–	–	–	2,515
Other receivables	645	–	–	236
	129,400	7,425	12,047	8,706

19. DEPOSITS

Deposits include amounts due to customers, deposits from the ultimate holding company, deposits from fellow subsidiaries and deposits from other related parties as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to customers	42,840	46,826	60,218	70,210
Deposits from the ultimate holding company	1,707,628	2,646,722	3,196,036	351,721
Deposits from fellow subsidiaries	7,296,274	6,071,549	6,790,323	6,049,060
Deposits from other related parties	24,497	15,513	6,881	81,863
	9,071,239	8,780,610	10,053,458	6,552,854

The tables below summarise deposits by natures:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Demand deposits	3,240,514	6,246,538	5,864,570	3,182,325
Time deposits	5,830,725	2,534,072	4,188,888	3,370,529
	9,071,239	8,780,610	10,053,458	6,552,854

20. DEFINED BENEFIT OBLIGATIONS

CS Finance operates a defined benefit plan for all its qualifying employees. Under the plan, the employees are entitled to certain amount of benefits after retirement.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The actuarial valuations of the present value of the defined benefit obligations were carried out at 30 September 2015 by Towers Watson, an independent professionally qualified actuary member, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	As at 30 September 2015
Discount rate (%)	5.15
Expected rate of future pension cost increases (%)	8.00

CS Finance performs a quantitative sensitivity analysis for significant assumptions, in which the changes in defined benefit obligations are insignificant.

The total expenses, including current service cost only, recognised in the statement of profit or loss for the nine months ended 30 September 2015 are RMB220,000.

The movement in the present value of the defined benefit obligations includes current service cost of RMB220,000 only.

Expected contributions to the defined benefit plan in future years are as follows:

	As at 30 September 2015
	RMB'000
Within the next 12 months	20
Between 2 and 5 years	80
Between 5 and 10 years	100
Over 10 years	200
Total expected payments	400

The average duration of the defined benefit obligations as at 30 September 2015 is 21.9 years.

21. OTHER LIABILITIES

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest payables	140	391	462	1,109
Payroll payables	613	38	182	928
Indirect tax payables	4,266	4,321	9,031	3,035
Other payables	1,430	1,575	1,209	35
	6,449	6,325	10,884	5,107

22. SHARE CAPITAL

The number of ordinary shares was 600,000,000 of RMB1 each. All the ordinary shares were authorised, issued and fully paid before 1 January 2012. During the Relevant Periods, there was no movement on the number and amount of ordinary shares.

23. RESERVES

(i) Available-for-sale financial asset revaluation surplus

Available-for-sale financial asset revaluation surplus represents the fair value movements for the available-for-sale financial investments.

(ii) Statutory reserve funds

According to the relevant PRC laws and regulations, profits of CS Finance are available for distribution in the form of cash dividends to the shareholders after CS Finance has (1) satisfied all tax liabilities; (2) provided for losses in previous years; and (3) made appropriations to the statutory reserve funds. CS Finance is required to appropriate not less than 10% of its profit after taxation to the statutory reserve funds until the reserve balance reaches 50% of its registered capital.

In accordance with resolutions of the Board of Directors dated 27 February 2013, 28 February 2014 and 21 February 2015, CS Finance appropriated 10% of the net profit for the years ended 31 December 2012, 2013 and 2014, respectively, to the statutory surplus reserves, amounting to RMB15,102,000, RMB16,560,000 and RMB21,294,000, respectively.

(iii) General reserves

Pursuant to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* ("Requirement"), issued by Ministry of Finance, in addition to the impairment allowance, CS Finance establishes a general reserve within the equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

In accordance with resolutions of the Board of Directors dated 27 February 2013, 28 February 2014 and 21 February 2015, CS Finance appropriated RMB1,510,000, RMB53,549,000 and RMB24,062,000 for the years ended 31 December 2012, 2013 and 2014, respectively, to the general reserves.

24. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of each reporting period, CS Finance leases certain of its office under operating lease arrangements from a fellow subsidiary, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,019	4,019	4,019	4,019
In the second to third years, inclusive	–	8,038	4,019	1,005
	4,019	12,057	8,038	5,024

25. FIDUCIARY ACTIVITIES

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entrusted loans	15,772,115	28,931,690	16,970,842	21,955,328
Entrusted deposits	15,772,115	28,931,690	16,970,842	21,955,328
Net amount	–	–	–	–

Entrusted deposits represent funds received from CS Finance's related parties which the depositors have instructed CS Finance to grant loans to the parties designated by them. The credit risk is borne with the depositors.

26. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

CS Finance enters into banking transactions with related parties in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses.

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income					
Fellow subsidiaries	211,708	221,426	274,791	206,673	82,863
Associates of fellow subsidiaries	–	5,266	–	–	80,213
Interest expense					
CS Group	41,440	19,890	30,856	23,596	15,723
Fellow subsidiaries	135,735	99,504	92,139	63,357	82,586
Associates of fellow subsidiaries	19	55	14	10	431

(b) Related party balances

CS Finance enters into banking transactions with related parties in the normal course of business at commercial terms. These include loans and advances, deposit taking and other normal banking businesses.

The outstanding balances with related parties are stated below:

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and other receivables due from related parties				
Principal:				
Fellow subsidiaries	3,776,269	4,551,799	4,518,566	2,537,915
Associates of fellow subsidiaries	–	97,490	–	1,074,051
	3,776,269	4,649,289	4,518,566	3,611,966
Interest receivables:				
Fellow subsidiaries	6,837	6,984	7,960	3,213
Associates of fellow subsidiaries	–	159	–	1,382
	6,837	7,143	7,960	4,595
Amounts due from:				
CS Group	–	–	–	227
Fellow subsidiaries	530	1,154	–	–
	530	1,154	–	227
	3,783,636	4,657,586	4,526,526	3,616,788
Deposits from and payables due to related parties				
Principal:				
CS Group	1,707,628	2,646,722	3,196,036	351,721
Fellow subsidiaries	7,296,274	6,071,549	6,790,323	6,049,060
Associates of fellow subsidiaries	24,497	15,513	6,881	81,863
	9,028,399	8,733,784	9,993,240	6,482,644
Interest payables:				
CS Group	5,818	6,165	7,866	5,092
Fellow subsidiaries	90,044	14,420	20,141	32,942
Associates of fellow subsidiaries	–	1	1	78
	95,862	20,586	28,008	38,112
Amounts due to:				
CS Group	–	–	–	3
Fellow subsidiaries	–	–	–	2
	–	–	–	5
	9,124,261	8,754,370	10,021,248	6,520,761

(c) Compensation of key management personnel of CS Finance

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short term employee benefits	2,426	3,162	2,993	2,395	1,890
Pension scheme contributions	120	126	109	74	90
Total compensation paid to key management personnel	2,546	3,288	3,102	2,469	1,980

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – held-for-trading financial assets

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held-for-trading financial assets	–	–	180,231	20,194

Financial assets – loans and receivables

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from the central bank	1,404,311	1,305,846	1,259,395	535,699
Due from banks	4,475,778	3,519,978	4,708,786	2,864,398
Loans to fellow subsidiaries	3,776,269	4,551,799	4,518,566	2,537,915
Loans to other related parties	–	97,490	–	1,074,051
Loan and receivables	–	250,000	92,000	150,000
Due from the ultimate holding company	–	–	–	227
Due from fellow subsidiaries	7,367	8,138	7,960	3,213
Due from other related parties	–	159	–	1,382
Financial assets in other assets	129,400	7,425	12,047	6,191
	9,793,125	9,740,835	10,598,754	7,173,076

Financial assets – available-for-sale financial assets

	As at 31 December			As at 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial investments	200,000	–	394,600	517,004

Financial liabilities – at amortised cost

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to customers	42,840	46,826	60,218	70,210
Deposits from the ultimate holding company	1,707,628	2,646,722	3,196,036	351,721
Deposits from fellow subsidiaries	7,296,274	6,071,549	6,790,323	6,049,060
Deposits from other related parties	24,497	15,513	6,881	81,863
Due to the ultimate holding company	5,818	6,165	7,866	5,095
Due to fellow subsidiaries	90,044	14,420	20,141	32,944
Due to other related parties	–	1	1	78
Financial liabilities in other liabilities	2,183	2,004	1,853	2,072
	9,169,284	8,803,200	10,083,319	6,593,043

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

As at 31 December 2011, 2012 and 2013, there were no financial instruments using fair value measurement. The following tables illustrate the fair value measurement hierarchy of CS Finance's financial instruments as at 31 December 2014 and 30 September 2015:

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held-for-trading financial assets	180,231	–	–	180,231
Available-for-sale financial investments:				
Open-ended funds	394,600	–	–	394,600
	574,831	–	–	574,831

As at 30 September 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held-for-trading financial assets	20,194	–	–	20,194
Available-for-sale financial investments:				
Open-ended funds	517,004	–	–	517,004
	537,198	–	–	537,198

The management of CS Finance has assessed the fair values of the financial instruments not measured by fair value. The carrying amounts of current portion of CS Finance's financial instruments approximated to their fair values at the end of each of the Relevant Periods due to the short term maturities. The carrying amounts of non-current portion of CS Finance's financial instruments approximated to their fair values at the end of each of the Relevant Periods due to floating interest rate of those instruments.

CS Finance's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of Directors annually for annual financial reporting.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from CS Finance's financial instruments are credit risk, interest risk, equity price risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

CS Finance is exposed to credit risk of loss arising from a borrower's or counterparty's inability to meet its obligations and from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting CS Finance is primarily due to loans and advances.

The principal features of CS Finance's credit risk management function include:

- Centralised credit policy and management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring.

To enhance the credit risk management practices, CS Finance also launches training programs periodically for credit officers at different levels.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contracts. CS Finance addresses impairment assessment in individually assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment. If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans; and
- All loans for which no impairment can be identified individuals, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

CS Finance prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. Collateral was registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can mitigate credit risk to a certain extent, CS Finance mostly grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, CS Finance might sell the collateral for repayment. As at 31 December 2012, 2013 and 2014 and 30 September 2015, nil, 11.0%, 29.4% and 28.0% of loans were with collateral of fair values of nil, RMB1,728,190,000, RMB4,005,950,000 and RMB3,171,580,000, respectively.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

At the end of each reporting period, the maximum credit risk exposure of CS Finance without taking account of any collateral and other credit enhancements is set out below:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from the central bank	1,404,311	1,305,846	1,259,395	535,699
Due from banks	4,475,778	3,519,978	4,708,786	2,864,398
Held-for-trading financial assets	–	–	180,231	20,194
Loans to fellow subsidiaries	3,776,269	4,551,799	4,518,566	2,537,915
Loans to other related parties	–	97,490	–	1,074,051
Loan and receivables	–	250,000	92,000	150,000
Due from the ultimate holding company	–	–	–	227
Due from fellow subsidiaries	7,367	8,138	7,960	3,213
Due from other related parties	–	159	–	1,382
Available-for-sale financial investments	200,000	–	394,600	517,004
Financial assets included in other assets	129,400	7,425	12,047	6,191
Total maximum credit risk exposure	9,993,125	9,740,835	11,173,585	7,710,274

Risk concentration

If counterparties focus on a certain industry or region, or have certain common characteristics of the economy, the credit risk is usually higher. All counterparties of CS Finance are from shipping related industries in the PRC. As at 31 December 2012, 2013 and 2014 and 30 September 2015, the numbers of counterparties were 14, 16, 17 and 17, which were all fellow subsidiaries or related parties of CS Finance.

Credit quality by class of financial assets

CS manages the credit quality of financial assets by class of asset, classified as neither past due nor impaired, past due but not impaired and impaired.

Except loans impaired set out in note 13, all of the financial assets at the end of each of the Relevant Periods were neither past due nor impaired due to no objective evidence of impairment losses was identified.

At the end of each of the Relevant Periods, there was no financial asset past due but not impaired.

Interest rate risk

CS Finance's bank account interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. CS Finance's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB interest rate policy which includes a cap for RMB deposit rates and a floor for RMB loan rates.

CS Finance manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have an impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of CS Finance's profit before tax and CS Finance's equity (through the impact on floating rate instruments).

	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended 31 December 2012			
Increase	1	23,809	17,857
Decrease	(1)	(23,809)	(17,857)
Year ended 31 December 2013			
Increase	1	23,828	17,871
Decrease	(1)	(23,828)	(17,871)
Year ended 31 December 2014			
Increase	1	22,555	16,916
Decrease	(1)	(22,555)	(16,916)
Nine months ended 30 September 2015			
Increase	1	6,420	4,815
Decrease	(1)	(6,420)	(4,815)

The tables below analyse CS Finance's interest rate risk exposure on financial assets and liabilities. The assets and liabilities are included at the carrying amount and categorised by the earlier of the contractual re-pricing or maturity dates.

	31 December 2012					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial assets:						
Due from the central bank	1,404,311	–	–	–	–	1,404,311
Due from banks	4,475,778	–	–	–	–	4,475,778
Loans to fellow subsidiaries	705,307	3,070,962	–	–	–	3,776,269
Due from fellow subsidiaries	–	–	–	–	7,367	7,367
Available-for-sale financial investments	200,000	–	–	–	–	200,000
Financial assets included in other assets	–	–	–	–	129,400	129,400
Total	6,785,396	3,070,962	–	–	136,767	9,993,125
Financial liabilities:						
Due to customers	42,840	–	–	–	–	42,840
Deposits from the ultimate holding company	747,303	960,325	–	–	–	1,707,628
Deposits from fellow subsidiaries	6,384,274	912,000	–	–	–	7,296,274
Deposits from other related parties	24,497	–	–	–	–	24,497
Due to the ultimate holding company	–	–	–	–	5,818	5,818
Due to fellow subsidiaries	–	–	–	–	90,044	90,044
Financial liabilities included in other liabilities	–	–	–	–	2,183	2,183
Total	7,198,914	1,872,325	–	–	98,045	9,169,284
Exposure to interest sensitivity	(413,518)	1,198,637	–	–	38,722	823,841

	31 December 2013					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial assets:						
Due from the central bank	1,305,846	–	–	–	–	1,305,846
Due from banks	3,319,978	200,000	–	–	–	3,519,978
Loans to fellow subsidiaries	561,446	3,990,353	–	–	–	4,551,799
Loans to other related parties	19,500	77,990	–	–	–	97,490
Loan and receivables	–	250,000	–	–	–	250,000
Due from fellow subsidiaries	–	–	–	–	8,138	8,138
Due from other related parties	–	–	–	–	159	159
Financial assets included in other assets	–	–	–	–	7,425	7,425
Total	5,206,770	4,518,343	–	–	15,722	9,740,835
Financial liabilities:						
Due to customers	46,826	–	–	–	–	46,826
Deposits from the ultimate holding company	2,426,722	220,000	–	–	–	2,646,722
Deposits from fellow subsidiaries	5,408,949	662,600	–	–	–	6,071,549
Deposits from other related parties	15,513	–	–	–	–	15,513
Due to the ultimate holding company	–	–	–	–	6,165	6,165
Due to fellow subsidiaries	–	–	–	–	14,420	14,420
Due to other related parties	–	–	–	–	1	1
Financial liabilities included in other liabilities	–	–	–	–	2,004	2,004
Total	7,898,010	882,600	–	–	22,590	8,803,200
Exposure to interest sensitivity	(2,691,240)	3,635,743	–	–	(6,868)	937,635

	31 December 2014					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial assets:						
Due from the central bank	1,259,395	–	–	–	–	1,259,395
Due from banks	4,408,786	300,000	–	–	–	4,708,786
Held-for-trading financial assets	–	–	–	–	180,231	180,231
Loans to fellow subsidiaries	1,294,800	3,223,766	–	–	–	4,518,566
Loan and receivables	31,000	61,000	–	–	–	92,000
Due from fellow subsidiaries	–	–	–	–	7,960	7,960
Available-for-sale financial investments	–	–	–	–	394,600	394,600
Financial assets included in other assets	–	–	–	–	12,047	12,047
Total	6,993,981	3,584,766	–	–	594,838	11,173,585

	31 December 2014					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial liabilities:						
Due to customers	60,218	–	–	–	–	60,218
Deposits from the ultimate holding company	2,353,056	842,980	–	–	–	3,196,036
Deposits from fellow subsidiaries	6,009,003	781,320	–	–	–	6,790,323
Deposits from other related parties	6,881	–	–	–	–	6,881
Due to the ultimate holding company	–	–	–	–	7,866	7,866
Due to fellow subsidiaries	–	–	–	–	20,141	20,141
Due to other related parties	–	–	–	–	1	1
Financial liabilities included in other liabilities	–	–	–	–	1,853	1,853
Total	8,429,158	1,624,300	–	–	29,861	10,083,319
Exposure to interest sensitivity	(1,435,177)	1,960,466	–	–	564,977	1,090,266

	30 September 2015					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial assets:						
Due from the central bank	535,699	–	–	–	–	535,699
Due from banks	2,714,398	150,000	–	–	–	2,864,398
Held-for-trading financial assets	–	–	–	–	20,194	20,194
Loans to fellow subsidiaries	170,625	2,367,290	–	–	–	2,537,915
Loans to other related parties	300,300	773,751	–	–	–	1,074,051
Loan and receivables	–	–	150,000	–	–	150,000
Due from the ultimate holding company	–	–	–	–	227	227
Due from fellow subsidiaries	–	–	–	–	3,213	3,213
Due from other related parties	–	–	–	–	1,382	1,382
Available-for-sale financial investments	–	–	–	–	517,004	517,004
Financial assets included in other assets	–	–	–	–	6,191	6,191
Total	3,721,022	3,291,041	150,000	–	548,211	7,710,274

	30 September 2015					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Financial liabilities:						
Due to customers	70,210	–	–	–	–	70,210
Deposits from the ultimate holding company	45,774	305,947	–	–	–	351,721
Deposits from fellow subsidiaries	4,752,260	1,296,800	–	–	–	6,049,060
Deposits from other related parties	81,863	–	–	–	–	81,863
Due to the ultimate holding company	–	–	–	–	5,095	5,095
Due to fellow subsidiaries	–	–	–	–	32,944	32,944
Due to other related parties	–	–	–	–	78	78
Financial liabilities included in other liabilities	–	–	–	–	2,072	2,072
Total	4,950,107	1,602,747	–	–	40,189	6,593,043
Exposure to interest sensitivity	(1,229,085)	1,688,294	150,000	–	508,022	1,117,231

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. CS Finance is exposed to equity price risk arising from individual equity investments classified as held-for-trading financial assets (note 12) and available-for-sale financial investments (note 14) as at 31 December 2014 and 30 September 2015. All of those investments were open-ended funds valued at quoted market prices.

The following table demonstrates the sensitivity to a reasonably possible change in fund unit net asset values, with all other variables held constant, of CS Finance's profit before tax and CS Finance's equity:

	Increase/ (decrease) in fund unit net asset value	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended 31 December 2014			
Increase	5	9,012	20,705
Decrease	(5)	(9,012)	(20,705)
Nine months ended 30 September 2015			
Increase	5	1,009	19,535
Decrease	(5)	(1,009)	(19,535)

Liquidity risk

CS Finance manages its liquidity and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base; and
- projecting cash flows and evaluating the level of current assets.

The tables below summarise the maturity profiles of the financial assets and financial liabilities of CS Finance based on undiscounted cash flows:

	31 December 2012						
	On demand	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Due from the central bank	1,404,311	–	–	–	–	–	1,404,311
Due from banks	744,351	715,043	3,216,807	–	–	–	4,676,201
Loans to fellow subsidiaries	–	25,457	729,421	865,815	2,434,954	146,871	4,202,518
Due from fellow subsidiaries	7,367	–	–	–	–	–	7,367
Available-for-sale financial investments	–	200,000	–	–	–	–	200,000
Financial assets included in other assets	129,400	–	–	–	–	–	129,400
Total	2,285,429	940,500	3,946,228	865,815	2,434,954	146,871	10,619,797
Financial liabilities:							
Due to customers	27,140	15,808	–	–	–	–	42,948
Deposits from the ultimate holding company	747,303	–	–	989,866	–	–	1,737,169
Deposits from fellow subsidiaries	2,441,574	1,386,138	2,642,051	938,509	1,610	–	7,409,882
Deposits from other related parties	24,497	–	–	–	–	–	24,497
Due to the ultimate holding company	5,818	–	–	–	–	–	5,818
Due to fellow subsidiaries	90,044	–	–	–	–	–	90,044
Financial liabilities included in other liabilities	2,183	–	–	–	–	–	2,183
Total	3,338,559	1,401,946	2,642,051	1,928,375	1,610	–	9,312,541

	31 December 2013						
	On demand	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Due from the central bank	1,305,846	–	–	–	–	–	1,305,846
Due from banks	580,980	2,546,672	203,400	203,349	–	–	3,534,401
Loans to fellow subsidiaries	–	25,793	602,977	1,821,935	1,949,946	811,305	5,211,956
Loans to other related parties	–	534	20,448	22,655	38,410	38,193	120,240
Loan and receivables	–	–	–	250,000	–	–	250,000
Due from fellow subsidiaries	8,138	–	–	–	–	–	8,138
Due from other related parties	159	–	–	–	–	–	159
Financial assets included in other assets	7,425	–	–	–	–	–	7,425
Total	1,902,548	2,572,999	826,825	2,297,939	1,988,356	849,498	10,438,165

	31 December 2013						
	On demand	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities:							
Due to customers	20,826	26,180	–	–	–	–	47,006
Deposits from the ultimate holding company	2,426,722	–	–	223,224	–	–	2,649,946
Deposits from fellow subsidiaries	3,783,477	778,538	860,635	670,889	1,407	–	6,094,946
Deposits from other related parties	15,513	–	–	–	–	–	15,513
Due to the ultimate holding company	6,165	–	–	–	–	–	6,165
Due to fellow subsidiaries	14,420	–	–	–	–	–	14,420
Due to other related parties	1	–	–	–	–	–	1
Financial liabilities included in other liabilities	2,004	–	–	–	–	–	2,004
Total	6,269,128	804,718	860,635	894,113	1,407	–	8,830,001

	31 December 2014						
	On demand	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Due from the central bank	1,259,395	–	–	–	–	–	1,259,395
Due from banks	4,108,786	300,000	–	–	300,000	–	4,708,786
Held-for-trading financial assets	180,231	–	–	–	–	–	180,231
Loans to fellow subsidiaries	–	122,654	1,232,954	2,645,139	233,097	777,108	5,010,952
Loan and receivables	–	31,000	61,000	–	–	–	92,000
Due from fellow subsidiaries	7,960	–	–	–	–	–	7,960
Available-for-sale financial investments	394,600	–	–	–	–	–	394,600
Financial assets included in other assets	12,047	–	–	–	–	–	12,047
Total	5,963,019	453,654	1,293,954	2,645,139	533,097	777,108	11,665,971
Financial liabilities:							
Due to customers	17,418	43,100	–	–	–	–	60,518
Deposits from the ultimate holding company	2,353,056	–	–	867,042	–	–	3,220,098
Deposits from fellow subsidiaries	3,487,215	1,196,916	1,347,634	786,753	16,987	–	6,835,505
Deposits from other related parties	6,881	–	–	–	–	–	6,881
Due to the ultimate holding company	7,866	–	–	–	–	–	7,866
Due to fellow subsidiaries	20,141	–	–	–	–	–	20,141
Due to other related parties	1	–	–	–	–	–	1
Financial liabilities included in other liabilities	1,853	–	–	–	–	–	1,853
Total	5,894,431	1,240,016	1,347,634	1,653,795	16,987	–	10,152,863

	30 September 2015						
	On demand	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Due from the central bank	535,699	–	–	–	–	–	535,699
Due from banks	2,014,398	700,910	750	152,263	–	–	2,868,321
Held-for-trading financial assets	20,194	–	–	–	–	–	20,194
Loans to fellow subsidiaries	–	11,180	192,879	1,857,016	148,081	722,397	2,931,553
Loans to other related parties	–	4,766	308,872	791,992	–	–	1,105,630
Loan and receivables	–	–	–	–	150,000	–	150,000
Due from the ultimate holding company	227	–	–	–	–	–	227
Due from fellow subsidiaries	3,213	–	–	–	–	–	3,213
Due from other related parties	1,382	–	–	–	–	–	1,382
Available-for-sale financial investments	517,004	–	–	–	–	–	517,004
Financial assets included in other assets	6,191	–	–	–	–	–	6,191
Total	3,098,308	716,856	502,501	2,801,271	298,081	722,397	8,139,414
Financial liabilities:							
Due to customers	27,110	43,415	–	–	–	–	70,525
Deposits from the ultimate holding company	45,774	–	–	313,336	–	–	359,110
Deposits from fellow subsidiaries	3,067,578	947,764	758,297	1,326,584	1,596	–	6,101,819
Deposits from other related parties	41,863	40,293	–	–	–	–	82,156
Due to the ultimate holding company	5,095	–	–	–	–	–	5,095
Due to fellow subsidiaries	32,944	–	–	–	–	–	32,944
Due to other related parties	78	–	–	–	–	–	78
Financial liabilities included in other liabilities	2,072	–	–	–	–	–	2,072
Total	3,222,514	1,031,472	758,297	1,639,920	1,596	–	6,653,799

Capital management

The primary objectives of CS Finance's capital management are to safeguard CS Finance's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

CS Finance manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, CS Finance may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. CS Finance is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

CS Finance monitors capital using capital adequacy ratio according to the regulations issued by China Banking Regulatory Commission. The capital adequacy ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Core capital	828,728	927,132	1,082,124	1,123,343
Supplementary capital	96,828	119,213	115,861	92,615
Risk-weighted assets	4,744,701	4,982,782	5,290,198	4,362,003
Core capital adequacy ratio	17.47%	18.61%	20.46%	25.75%
Capital adequacy ratio	19.12%	19.56%	22.26%	27.88%

30. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by CS Finance after 30 September 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CS Finance in respect of any period subsequent to 30 September 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

31 December 2015

The Board of Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We (the "Reporting accountants") report on the financial information of Cosco Finance Co., Ltd. (the "Target Company") comprising the statements of financial position as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows, for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods") together with a summary of significant accounting policies and other explanatory information thereto (the "Financial Information"), for inclusion in the circular of China Shipping Container Lines Company Limited (the "Company") dated 31 December 2015 (the "Circular") in connection with the proposed capital injection to the Target Company by the Company.

The Target Company was incorporated in the People's Republic of China (the "PRC") on 23 February 1994 as a state-owned enterprise and was changed to a company with limited liability in December 2000.

The Target Company has adopted 31 December as its financial year end date. The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by the following certified public accountants registered in the PRC.

Financial year	**Name of auditor**
Year ended 31 December 2012	RSM China Certified Public Accountants, LLP
Year ended 31 December 2013	Ruihua Certified Public Accountants, LLP
Year ended 31 December 2014	Ruihua Certified Public Accountants, LLP

The directors of the Target Company are responsible for the preparation of the financial statements of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information of the Target Company that gives a true and fair view in accordance with HKFRSs and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the Target Company's financial performance and cash flows for the Relevant Periods.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the stub period comparative financial information of the Target Company comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the nine months ended 30 September 2014, together with other explanatory information thereto (the "Stub Period Comparative Financial Information").

The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

Statements of profit or loss and other comprehensive income

	Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	Nine months ended 30 September 2015 RMB'000
Interest income	*8*	964,885	897,469	919,046	723,639	496,869
Interest expense	*9*	(685,250)	(497,423)	(506,256)	(395,267)	(321,528)
Net interest income		279,635	400,046	412,790	328,372	175,341
Fee and commission income	*10*	753	552	290	205	315
Other income	*11*	67,116	62,165	813,705	659,406	381,382
Other gains/(losses)		3,251	(5,801)	391	183	4,200
Operating income		350,755	456,962	1,227,176	988,166	561,238
Operating expenses		(42,760)	(46,962)	(78,846)	(48,194)	(71,275)
Profit before taxation	*12*	307,995	410,000	1,148,330	939,972	489,963
Income tax	*14*	(76,702)	(102,205)	(279,753)	(229,126)	(122,124)
Profit for the year/period		231,293	307,795	868,577	710,846	367,839
Other comprehensive loss						
Items that may be reclassified subsequently to profit or loss:						
Change in fair value of available-for-sale financial assets, net of tax		–	–	–	–	(1,817)
Other comprehensive loss for the year/period		–	–	–	–	(1,817)
Total comprehensive income for the year/period		231,293	307,795	868,577	710,846	366,022

Details of dividends are disclosed in note 35.

The accompanying notes form part of the Financial Information.

Statements of financial position

	Note	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	At 30 September 2015 RMB'000
ASSETS					
Cash		1	3	1	1
Balances with central bank	15	3,830,170	3,908,392	3,129,927	1,962,471
Balances with other banks	16	14,766,570	18,003,962	20,926,547	14,655,759
Placements with other financial institutions	17	–	–	–	–
Financial assets at fair value through profit or loss	18	143,255	436,896	316,511	598,407
Interest receivable	19	243,586	116,817	81,237	71,383
Loans and advances to customers	20	861,890	2,200,628	2,663,575	5,237,996
Available-for-sale financial assets	21	427,747	490,416	890,674	812,374
Held-to-maturity investments	22	491,761	650,987	520,197	230,022
Property and equipment	23	22,074	20,582	19,371	18,368
Intangible assets	24	927	853	401	144
Deferred tax assets	25	6,140	9,906	2,682	3,366
Other assets	26	55,694	41,190	22,137	17,786
Total assets		20,849,815	25,880,632	28,573,260	23,608,077
LIABILITIES					
Deposits from customers	27	18,367,325	23,379,815	25,489,676	20,896,234
Interest payable	28	238,145	148,323	123,641	126,211
Tax payable	29	14,137	17,266	7,719	5,623
Deferred tax liabilities	25	–	–	21,126	14,871
Other liabilities	30	66,608	51,426	30,231	23,218
Total liabilities		18,686,215	23,596,830	25,672,393	21,066,157
Equity					
Share capital	31	1,600,000	1,600,000	1,600,000	1,600,000
Reserves		563,600	683,802	1,300,867	941,920
Total equity		2,163,600	2,283,802	2,900,867	2,541,920
Total equity and liabilities		20,849,815	25,880,632	28,573,260	23,608,077

The accompanying notes form part of the Financial Information.

Statements of changes in equity

	Share capital *RMB'000*	Share premium *RMB'000*	Available-for-sale financial assets revaluation reserve *RMB'000* *(note 32)*	Surplus reserve *RMB'000* *(note 33)*	Regulatory general reserve *RMB'000* *(note 34)*	Retained profits *RMB'000*	Total equity *RMB'000*
As at 1 January 2012	1,600,000	5,180	–	237,028	46,740	203,102	2,092,050
Profit and total comprehensive income for the year	–	–	–	–	–	231,293	231,293
Appropriation to statutory surplus reserve	–	–	–	66,488	–	(66,488)	–
Appropriation to regulatory general reserve	–	–	–	–	20,571	(20,571)	–
Dividend paid *(note 35)*	–	–	–	–	–	(159,743)	(159,743)
As at 31 December 2012 and 1 January 2013	1,600,000	5,180	–	303,516	67,311	187,593	2,163,600
Profit and total comprehensive income for the year	–	–	–	–	–	307,795	307,795
Appropriation to statutory surplus reserve	–	–	–	30,780	–	(30,780)	–
Appropriation to regulatory general reserve	–	–	–	–	25,503	(25,503)	–
Dividend paid *(note 35)*	–	–	–	–	–	(187,593)	(187,593)
As at 31 December 2013 and 1 January 2014	1,600,000	5,180	–	334,296	92,814	251,512	2,283,802
Profit and total comprehensive income for the year	–	–	–	–	–	868,577	868,577
Appropriation to statutory surplus reserve	–	–	–	86,858	–	(86,858)	–
Appropriation to regulatory general reserve	–	–	–	–	56,750	(56,750)	–
Dividend paid *(note 35)*	–	–	–	–	–	(251,512)	(251,512)
As at 31 December 2014 and 1 January 2015	1,600,000	5,180	–	421,154	149,564	724,969	2,900,867
Profit for the period	–	–	–	–	–	367,839	367,839
Change in fair value of the available-for-sale financial assets	–	–	(1,817)	–	–	–	(1,817)
Appropriation to statutory surplus reserve	–	–	–	36,784	–	(36,784)	–
Appropriation to regulatory general reserve	–	–	–	–	68,719	(68,719)	–
Dividend paid *(note 35)*	–	–	–	–	–	(724,969)	(724,969)
As at 30 September 2015	1,600,000	5,180	(1,817)	457,938	218,283	262,336	2,541,920
As at 1 January 2014	1,600,000	5,180	–	334,296	92,814	251,512	2,283,802
Profit and total comprehensive income for the period	–	–	–	–	–	710,846	710,846
Dividend paid *(note 35)*	–	–	–	–	–	(251,512)	(251,512)
As at 30 September 2014 (unaudited)	1,600,000	5,180	–	334,296	92,814	710,846	2,743,136

Statements of cash flows

	Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
Operating activities						
Profit before taxation		307,995	410,000	1,148,330	939,972	489,963
Adjustments for:						
Interest income from financial assets at fair value through profit or loss	*11*	(3,862)	(3,438)	(10,177)	(4,806)	(4,235)
Interest income from available-for-sale financial assets	*11*	(29,815)	(33,250)	(73,141)	(60,041)	(66,186)
Interest income from held-to-maturity investments		(16,067)	(27,491)	(32,984)	(25,583)	(13,890)
Gain on disposal of financial assets at fair value through profit or loss	*11*	(12,601)	(3,323)	(74,192)	(46,748)	(326,824)
Gain/(loss) on disposal of available-for-sale financial assets	*11*	–	(7,000)	(511,891)	(511,891)	4,732
Gain on disposal of held-to-maturity investments		(5,471)	(2,221)	–	–	–
Depreciation of property and equipment	*12*	1,679	1,658	1,621	1,159	1,196
Amortisation of intangible assets	*12*	748	934	505	400	257
Fair value change in financial assets at fair value through profit or loss	*11*	700	14,558	(111,320)	(10,337)	25,021
Reversal of impairment losses on placements with other financial institutions	*12*	(1,964)	–	–	–	–
Provision for/(reversal of) impairment losses on loans and advances to customers	*12*	200	(200)	–	–	–
Operating cash flows before changes in working capital		241,542	350,227	336,751	282,125	110,034
(Increase)/decrease in balances with central bank		(300,951)	(78,147)	778,391	593,460	1,167,456
(Increase)/decrease in balances with other banks		(4,886)	(1,029)	6,501	4,918	3,059
(Increase)/decrease in loans and advances to customers		(579,568)	(1,338,538)	(462,947)	70,101	(2,574,421)
(Increase)/decrease in other assets		(44,515)	14,504	19,053	2,008	(1,615)
(Increase)/decrease in interest receivable		(162,370)	129,800	31,210	1,488	1,015
(Decrease)/increase in deposits from customers		(5,952,638)	5,012,490	2,109,861	(4,633,583)	(4,593,442)
Increase/(decrease) in interest payable		79,319	(89,822)	(24,682)	(9,382)	2,570
Increase/(decrease) in other liabilities		47,244	(15,393)	(17,306)	(3,224)	(7,430)
Net cash (used in)/generated from operations		(6,676,823)	3,984,092	2,776,832	(3,692,089)	(5,892,774)
Income tax paid		(70,930)	(102,678)	(264,275)	(230,913)	(124,170)
Net cash (used in)/generated from operating activities		(6,747,753)	3,881,414	2,512,557	(3,923,002)	(6,016,944)

	Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Nine months ended 30 September 2014 RMB'000 (unaudited)	2015 RMB'000
Investing activities						
Interest received		30,791	61,922	121,462	96,132	93,325
Purchases of property and equipment		(295)	(106)	(974)	(188)	(193)
Purchases of intangible assets		(355)	(860)	(53)	(53)	–
Proceeds from financial assets at fair value through profit or loss		336,259	255,133	567,367	436,416	513,536
Proceeds from available-for-sale financial assets		–	324,331	691,854	656,970	605,943
Proceeds from held-to-maturity investments		355,471	102,221	130,000	130,000	290,000
Purchases of financial assets at fair value through profit or loss		(55,224)	(560,022)	(261,691)	(75,630)	(493,629)
Purchases of available-for-sale financial assets		(116,937)	(380,000)	(580,000)	(580,000)	(534,798)
Purchases of held-to-maturity investments		(750,000)	(260,000)	–	–	–
Net cash (used in)/generated from investing activities		(200,290)	(457,381)	667,965	663,647	474,184
Financing activities						
Dividends paid		(159,743)	(187,593)	(251,512)	(251,512)	(724,969)
Net cash used in financing activities		(159,743)	(187,593)	(251,512)	(251,512)	(724,969)
Net (decrease)/increase in cash and cash equivalents		(7,107,786)	3,236,440	2,929,010	(3,510,867)	(6,267,729)
Cash and cash equivalents at the beginning of the year/period		21,862,650	14,754,864	17,991,304	17,991,304	20,920,314
Cash and cash equivalents at the end of the year/period		14,754,864	17,991,304	20,920,314	14,480,437	14,652,585
Cash flows from operating activities includes:						
Interest received		802,515	1,027,285	950,256	725,125	497,884
Interest paid		605,932	587,244	530,939	404,649	318,958
Analysis of balances of cash and cash equivalents:						
Cash		1	3	1	6	1
Balances with central bank		–	75	1	2	1
Balances with other banks		14,754,863	17,991,226	20,920,312	14,480,429	14,652,583
		14,754,864	17,991,304	20,920,314	14,480,437	14,652,585

The accompanying notes form part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION OF THE TARGET COMPANY

1 GENERAL INFORMATION

The Target Company was incorporated in the PRC on 23 February 1994, as a state-owned enterprise, and was changed to a company with limited liability in December 2000. The address of its registered office is 19th Floor, Block A, Yuetan Mansion, 2 Yuetan North Street, Xicheng District, Beijing, the PRC.

The Target Company's principal activities are corporate lending and deposits taking and investments holding in the PRC. The funding of existing corporate loans are mainly from customer deposits.

The Target Company's immediate and ultimate holding company is China Ocean Shipping (Group) Company, a state-owned enterprise established in the PRC.

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Statement of compliance and basis of preparation

The Financial Information have been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. These financial information also comply with the applicable disclosure provision of the Listing Rules.

The Financial Information have been prepared under the historical cost basis except that financial assets at fair value through profit or loss and available-for-sale financial assets are stated at their fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 6.

2.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only applicable to intangible assets with finite useful lives) and impairment losses (see note 2.7(ii)). Amortisation of intangible assets with finite useful lives is amortised on a straight-line basis over the assets' estimated useful lives of 3-5 years.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Target Company does not have intangible assets with useful lives assessed to be indefinite as at the end of each of the Relevant Periods.

2.3 Financial instruments

(i) Initial recognition and classification

All financial assets and financial liabilities are recognised in the statement of financial position when and only when, the Target Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognised on the date when the contractual rights to substantially all the risks and rewards of ownership or the cash flows are transferred.

Financial liabilities are derecognised on the date when the obligations specified in the contracts are discharged, cancelled or expired.

At initial recognition, all financial assets and liabilities are measured at fair value. In the case of a financial assets or financial liabilities are not designated as fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include observable market data.

The Target Company classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are:

- financial assets and financial liabilities at fair value through profit or loss, include those financial assets and financial liabilities held principally for the purpose of short term profit taking and those financial assets and liabilities that are designated by the Target Company upon recognition as at fair value through profit or loss.

- financial instruments are designated at fair value through profit or loss upon initial recognition when:

  - the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

  - the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

  - the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

  - the separation of the embedded derivative from the financial instrument is not prohibited;

- held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Target Company has the positive intent and ability to hold to maturity;

- loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Target Company intends to sell immediately or in the near term, and those that are designated as available-for-sale financial assets upon initial recognition;

- available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity financial assets; and

- other financial liabilities, other than that at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal except for loans and receivables, held-to-maturity financial assets and financial liabilities not at fair value through profit or loss, which are measured at amortised cost using the effective interest method.

When the fair value of unlisted equity securities of available-for-sale financial assets cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment, or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Gains and losses from changes in the fair value of financial instruments at fair value through profit or loss are included in profit or loss when they arise.

Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised at which time the cumulative gains or losses previously recognised in equity will be recognised in profit or loss.

For financial assets and liabilities measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised, impaired and amortised.

(ii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Target Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Target Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions of the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Target Company uses valuation techniques to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Target Company determines that the fair value at initial recognition differs from the transaction price and value is neither evidenced by a quoted price in an active market for an identical asset nor based on a valuation technique that uses only data from observable markets, then the instrument is initially measured at fair value, adjusted to defer the difference between value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Target Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities.

The fair value of a demand deposit is not less than the amount payable on demand. The Target Company recognises transfers between levels of the fair value hierarchy as of the end of each of the Relevant Periods during which the change has occurred.

(iii) Specific items

Cash equivalents

Cash equivalents comprise balances with central bank, banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Placements with banks and other financial institutions

Banks represent banks approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent other finance companies, investment trust companies and leasing companies which are registered with and under the supervision of the China Banking Regulatory Commission (the "CBRC") and insurance companies, securities firms, and investment fund companies, etc. which are registered with and under the supervision of other regulatory authorities. Placements with banks and other financial institutions are accounted for as loans and receivables.

Investments

Equity investments are accounted for as financial assets at fair value through profit or loss or available-for-sale financial assets. Debt investments are classified as financial assets at fair value through profit or loss, held-to-maturity investments, debt securities classified as receivables, and available-for-sale financial assets in accordance with the Target Company's holding intention at acquisition.

Loans and advances to customers

Loans and advances directly granted by the Target Company to customers, participation in syndicated loans and finance leases receivables are accounted for as loans and advances to customers.

(iv) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in equity.

2.4 Property, equipment and depreciation

Property and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of property and equipment over their following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Buildings	30 years
Motor vehicles	5 years
Computer and office equipment	3-5 years

The carrying amount of property and equipment is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in profit or loss. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values.

Subsequent expenditure relating to a property and equipment is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Target Company. All other expenditure is recognised in profit or loss as an expense as incurred.

Profits or losses on disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the property and equipment and are accounted for in profit or loss as they arise.

2.5 Finance and operating lease

(i) Classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

(ii) Finance leases

Where the Target Company is a lessor under finance leases, an amount representing the net investment in the lease is included in the statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using an effective interest rate method over the lease term. Finance income implicit in the lease payment is recognised as "interest income" over the period of the leases in proportion to the funds invested. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2.7(i).

(iii) Operating leases

– *Operating leases*

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

– *Assets leased out under operating leases*

Property and equipment leased out under operating leases are depreciated in accordance with the depreciation policies described in note 2.4 and if impaired, impairment losses are provided for in accordance with the accounting policy described in note 2.7(ii). Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent lease income is charged to profit or loss in the accounting period in which they are incurred.

2.6 Resale and repurchase agreements

Financial assets held under resale agreements are transactions where the Target Company acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Target Company sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

2.7 Impairment

(i) Financial assets

Financial assets are assessed at the end of each of the Relevant Periods to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidences include:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;

– disappearance of an active market for financial assets because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses on loans and advances to customers

The Target Company uses two methods of assessing impairment losses on loans and advances: those assessed individually and those assessed on a collective basis.

– Individually assessed

Loans and advances which are considered individually significant are assessed individually for impairment.

Impairment allowances are made on individually impaired significant loans when there is objective evidence of impairment that will impact the estimated future cash flows of the loan. Individually impaired loans and advances are graded as substandard or below.

Impairment allowance of an individually impaired significant loan is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loans and advances' applicable effective interest rate. The carrying amount of the loan is reduced through the allowance for impairment losses.

The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

– Collectively assessed

Impairment allowances are calculated on a collective basis for the following:

– no objective evidence of impairment exists for an individually assessed loans; and

– for homogeneous groups of loans that are not individually significant with similar credit risk characteristics.

Incurred but not yet identified impairment

If no objective evidence of impairment exists for an individually assessed loan on an individual basis, whether significant or not, the loans are grouped in a pool of loans with similar credit risk characteristics for the purpose of calculating a collective impairment allowance. This allowance covers loans that are impaired at the end of each of the Relevant Periods but will not be individually identified as such until some time in the future. As soon as information is available that specifically identifies objective evidence of impairment on individual loans in the pool of loans, those loans are removed from the pool. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment. The collective assessment allowance is determined after taking into account:

– the structure and risk characteristics of the Target Company's loan portfolio (indicating the borrower's ability to repay all loans) and the expected loss of the individual components of the loan portfolio based primarily on the historical loss experience;

– the emergence period between a loss occurring and that loss being identified and evidenced by the establishment of an allowance against the loss on an individual loan; and

– management's judgement as to whether the current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

Homogeneous groups of loans

Portfolios of homogeneous loans are collectively assessed using roll rate or historical loss rate methodologies. Overdue period represents the major observable objective evidence for impairment.

Impairment losses are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the loan that exceeds the amortised cost at the date the impairment is reversed had the impairment not been recognised. The amount of the reversal is recognised in profit or loss.

When the Target Company determines that a loan has no reasonable prospect of recovery after the Target Company has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. Amount recovered from a loan that has been written off will be recognised as income through the impairment loss account in profit or loss.

Loans and advance with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Target Company has made concessions that it would not otherwise consider. Renegotiated loans and advances are subject to ongoing monitoring to determine whether they remained as impaired or overdue.

In the recovery of impaired loans, the Target Company may take repossession of the collateral assets through court proceedings or voluntary delivery of repossession by the borrowers.

Impairment losses on available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is removed from other comprehensive income and is recognised in profit or loss even though the financial assets has not been derecognised.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss. For an available-for-sale asset that is not carried at fair value as its fair value cannot be reliably measured, such as an unquoted equity instrument, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal being recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. Any subsequent increase in the fair value of these assets is recognised directly in equity.

(ii) Other assets

Internal and external sources of information are reviewed at the end of each of the Relevant Periods to identify indications that other assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

2.8 Financial guarantee issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Target Company issues a financial guarantee to customers, the fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income within "other liabilities".

The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.8(ii) and when (a) it becomes probable that the holder of the guarantee will call upon the Target Company under the guarantee, and (b) the amount of that claim on the Target Company is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.9 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.10 Income recognition

Provided it is probable that economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income is recognised in profit or loss on an accruals basis, taking into account the effective interest rate of the instrument or an applicable floating rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of any interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

When a financial asset or a group of financial assets are impaired, interest income is recognised on the impaired financial assets using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

Interest income and expenses from all financial assets and liabilities that are classified as financial assets at fair value through profit or loss are considered to be incidental and are therefore presented together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense, foreign exchange differences and dividend income attributable to those financial instruments.

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

(iii) Dividend income

– Dividend income from listed investments is recognised when the underlying investment is declared ex-dividend.

– Where the investments are unlisted, interim dividend income is recognised when declared by the Board of Directors of the investees. Final dividend income is recognised only when the amount proposed by the Board of Directors of the investees is approved by shareholders at general meetings.

2.11 Taxation

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each of the Relevant Periods, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses and unused tax credits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of each of the Relevant Periods. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Target Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2.12 Foreign currencies transactions

Monetary assets and liabilities denominated in foreign currencies at the end of each of the Relevant Periods are translated into RMB at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities, and share capital which are measured at historical cost in a foreign currency are translated into RMB at the foreign exchange rates ruling at the date of the transaction, whilst those stated at fair value are translated into RMB at the foreign exchange rate ruling at the date of valuation. Income and expenses denominated in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. When the gain or loss on a non-monetary item, including available-for-sale equity instrument, is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity, all other foreign exchange differences arising on settlement and translation of monetary and non-monetary assets and liabilities are recognised in profit or loss.

2.13 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Target Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

2.14 Employee benefits

(i) Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

(ii) Defined contribution plan

For employees in PRC, the Target Company contributes to a defined contribution retirement scheme managed by the local municipal government in PRC. The local municipal government in PRC undertakes to assume the retirement benefit obligations payable to the qualified employees in PRC for post-retirement benefits beyond the contributions made. The Target Company's contributions to the retirement scheme are expensed as incurred.

2.15 Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.16 Segmental reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Target Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

2.17 Fiduciary activities

The Target Company acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Target Company and the related undertakings to return such assets to customers are excluded from the statement of financial position as the risks and rewards of the assets reside with the customers.

2.18 Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the period in which they are declared and approved.

3 APPLICATION OF NEW AND REVISED HKFRSS

For the purpose of preparing this Financial Information of the Relevant Periods, the Target Company has adopted all the new and revised HKFRSs which are effective for the accounting period beginning on 1 January 2015 throughout the Relevant Periods.

The Target Company has not adopted any amendments, new standards or interpretations which are not yet effective for the accounting period beginning on 1 January 2015. These include the following which may be relevant to the Target Company:

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to HKAS 1, *Disclosure Initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 14, *Regulatory deferral accounts*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Target Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application, but is not yet in a position to state whether the adoption of them would have a significant impact on the Target Company's Financial Information.

4 FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), liquidity risk and operational risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Target Company. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic development, which may eventually affect their repayment abilities.

Corporate credit risk

Corporate lending is generally concentrated among highly rated customers. In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Target Company has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate customers, the Target Company has a detailed risk grading system that is applied to each counterparty on a regular basis. The Target Company also has a review process that ensures the proper level of review and approval depending on the size of the facility and risk grading of the credit.

The Target Company undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as individual problem loans and potential problem loans on a regular basis.

Concentration of credit risk

When certain number of customers are in the same business, located in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic changes. The level of concentration of credit risk reflects the sensitivity of the Target Company's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Target Company has formulated the quota limit management policy to monitor and analyse the loan portfolio.

Analyses of loans and advances by industry and loan portfolio are stated in note 20.

(i) Maximum exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Target Company provides financial guarantees to fellow subsidiaries which would expose the Target Company to credit risk. Details of information as at the end of each of the Relevant Periods are disclosed in note 39 to the Financial Information of the Target Company.

(ii) The credit quality of balances with other banks, loans and advances to customers and investments can be analysed as follows:

	31 December 2012		
	Balances with other banks	**Loans and advances to customers**	**Investments** *(note)*
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	14,766,570	852,090	1,062,763
Impaired			
For which impairment allowances are individually assessed			
Gross amount	–	10,000	–
Less: Impairment allowances	–	(200)	–
	–	9,800	–
Total carrying amount	14,766,570	861,890	1,062,763

	31 December 2013		
	Balances with other banks	**Loans and advances to customers**	**Investments** *(note)*
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	18,003,962	2,200,628	1,578,299

	31 December 2014		
	Balances with other banks	**Loans and advances to customers**	**Investments** *(note)*
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	20,926,547	2,663,575	1,727,382

	30 September 2015		
	Balances with other banks	**Loans and advances to customers**	**Investments** *(note)*
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	14,655,759	5,237,996	1,640,803

Note: Investments include financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of the Target Company's financial instruments will fluctuate and which may result in loss to the Target Company, because of changes in foreign exchange rate, interest rate, commodity price, stock price and other observable market factors. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Target Company.

(i) Foreign exchange risk

Assets and liabilities are shown as follows:

	31 December 2012 Equivalent to RMB'000			Total
	RMB	*US Dollar*	*EUR*	
Assets				
Cash and balances with central bank	3,514,350	315,821	–	3,830,171
Balances with other banks	12,389,534	2,297,047	79,989	14,766,570
Interest receivable	239,656	3,930	–	243,586
Loans and advances to customers	736,180	125,710	–	861,890
Investments	1,062,763	–	–	1,062,763
Other assets	55,694	–	–	55,694
	17,998,177	2,742,508	79,989	20,820,674
Liabilities				
Deposits from customers	15,742,682	2,544,648	79,995	18,367,325
Interest payable	235,349	2,796	–	238,145
Other liabilities	10,339	56,269	–	66,608
	15,988,370	2,603,713	79,995	18,672,078
Net position	2,009,807	138,795	(6)	2,148,596
Net-off statements of financial position:				
Credit commitments *(note)*	–	–	–	–

	31 December 2013 Equivalent to RMB'000			Total
	RMB	*US Dollar*	*EUR*	
Assets				
Cash and balances with central bank	3,809,369	99,026	–	3,908,395
Balances with other banks	16,475,979	1,514,622	13,361	18,003,962
Interest receivable	113,778	3,039	–	116,817
Loans and advances to customers	2,079,300	121,328	–	2,200,628
Investments	1,578,299	–	–	1,578,299
Other assets	41,190	–	–	41,190
	24,097,915	1,738,015	13,361	25,849,291
Liabilities				
Deposits from customers	21,804,157	1,562,291	13,367	23,379,815
Interest payable	148,294	29	–	148,323
Other liabilities	10,042	41,384	–	51,426
	21,962,493	1,603,704	13,367	23,579,564
Net position	2,135,422	134,311	(6)	2,269,727
Net-off statements of financial position:				
Credit commitments *(note)*	114,700	–	–	114,700

	31 December 2014 Equivalent to RMB'000			Total
	RMB	*US Dollar*	*EUR*	
Assets				
Cash and balances with central bank	2,990,219	139,709	–	3,129,928
Balances with other banks	16,410,493	4,508,661	7,393	20,926,547
Interest receivable	81,049	188	–	81,237
Loans and advances to customers	2,542,419	121,156	–	2,663,575
Investments	1,727,382	–	–	1,727,382
Other assets	22,137	–	–	22,137
	23,773,699	4,769,714	7,393	28,550,806
Liabilities				
Deposits from customers	20,870,828	4,611,449	7,399	25,489,676
Interest payable	123,537	104	–	123,641
Other liabilities	9,010	21,221	–	30,231
	21,003,375	4,632,774	7,399	25,643,548
Net position	2,770,324	136,940	(6)	2,907,258
Net-off statements of financial position:				
Credit commitments *(note)*	112,581	–	–	112,581

	30 September 2015 Equivalent to RMB'000 *RMB*	*US Dollar*	*EUR*	Total
Assets				
Cash and balances with central bank	1,636,538	325,934	–	1,962,472
Balances with other banks	11,768,830	2,882,155	4,774	14,655,759
Interest receivable	70,350	1,033	–	71,383
Loans and advances to customers	3,490,229	1,747,767	–	5,237,996
Investments	1,640,803	–	–	1,640,803
Other assets	17,786	–	–	17,786
	18,624,536	4,956,889	4,774	23,586,199
Liabilities				
Deposits from customers	16,097,257	4,794,198	4,779	20,896,234
Interest payable	124,602	1,609	–	126,211
Other liabilities	9,684	13,534	–	23,218
	16,231,543	4,809,341	4,779	21,045,663
Net position	2,392,993	147,548	(5)	2,540,536
Net-off statements of financial position:				
Credit commitments *(note)*	87,272	–	–	87,272

Note: Credit commitments generally expire before they are drawn, therefore, the above net position does not represent the future cash flows.

Under the existing managed floating exchange rate regime, the Target Company uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Target Company's net foreign exchange gains and losses. The following table set forth the results of the Target Company's foreign exchange risk sensitivity analysis on the assets and liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015.

	31 December 2012 Change in foreign currency exchange rate (in basis points)		31 December 2013 Change in foreign currency exchange rate (in basis points)	
	(100)	*100*	*(100)*	*100*
(Decrease)/increase in annualised net profit *(RMB'000)*	(1,041)	1,041	(1,007)	1,007

	31 December 2014 Change in foreign currency exchange rate (in basis points)		30 September 2015 Change in foreign currency exchange rate (in basis points)	
	(100)	*100*	*(100)*	*100*
(Decrease)/increase in annualised net profit *(RMB'000)*	(1,027)	1,027	(1,107)	1,107

The above sensitivity analysis is based on a static foreign currency exposure profile of assets and liabilities. In view of the nature of the RMB exchange rate regime, the analysis is based on the following assumptions:

(i) the foreign exchange rate sensitivity is the gain and loss recognised as a result of a standard 100 basis point fluctuation in the foreign currency exchange against RMB;

(ii) the exchange rates against RMB for all foreign currencies is the change in the same direction simultaneously; and

(iii) the foreign exchange exposures calculated include spot foreign exchange exposures, forward foreign exchange exposures and options.

Based on the assumptions above, actual changes in the Target Company's net foreign exchange gain and loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from adverse change in interest rates and maturity profiles which may result in decrease in profit and market value of financial instruments and positions held by the Target Company.

The Target Company uses sensitivity analysis to measure the potential effect of changes in interest rates on the Target Company's net interest income. The following table sets forth, as at 31 December 2012, 2013 and 2014 and 30 September 2015, the results of the Target Company's interest rate sensitivity analysis on the assets and liabilities at the same date.

	31 December 2012 Change in interest rate (in basis points)		**31 December 2013 Change in interest rate (in basis points)**	
	25	*(25)*	*25*	*(25)*
(Decrease)/increase in annualised net profit *(RMB'000)*	(4,065)	4,065	(4,623)	4,623

	31 December 2014 Change in interest rate (in basis points)		**30 September 2015 Change in interest rate (in basis points)**	
	25	*(25)*	*25*	*(25)*
(Decrease)/increase in annualised net profit *(RMB'000)*	(2,514)	2,514	(1,374)	1,374

This sensitivity analysis is based on a static interest rate risk profile of assets and liabilities. The analysis measures only the impact of changes in the interest rates within a year, as reflected by the repricing of the Target Company's assets and liabilities within a year, on annualised interest income. The analysis is based on the following assumptions:

- all assets and liabilities that reprice or are due within one year reprice or are due at the beginning of the respective periods;
- there is a parallel shift in the yield curve and in interest rates; and
- there are no other changes to the portfolio.

Actual changes in the Target Company's net interest income resulting from increase or decrease in interest rates may differ from the results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a financial institution is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business even if the solvency remains strong. Liquidity risk management is to ensure the Target Company has sufficient cash flow to meet payment obligations and fund business operations on a timely basis. To achieve this, the Target Company should have the ability to make full payment due on demand deposits or early withdrawal of term deposits, make full repayment of placement upon maturity, or meet other payment obligations. The Target Company also needs to comply with statutory requirements on liquidity ratios, and actively carry out lending and investment businesses. The Target Company monitors the future cash flow according to its liquidity management policies, and keeps its high liquidity assets at an appropriate level.

The Financial Planning Department performs daily management of liquidity risk in accordance with the liquidity management objectives of the Target Company, and to ensure payment of the Target Company's business.

The Target Company holds appropriate amount of liquid assets to ensure liquidity needs and unpredictable demand for payment in the ordinary course of business. A substantial portion of the Target Company's assets are funded by deposits from customers. As a major source of funding, the customer deposits have been growing steadily in recent years and are widely diversified in terms of type and duration.

The Target Company principally uses liquidity net position to measure liquidity risk. Stress testing is also adopted to assess the impact of liquidity risk.

Analysis of the Target Company's assets and liabilities by remaining maturity is as follows:

	31 December 2012						
	Repayable on demand	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 5 years**	**After 5 years**	**Indefinite**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and balances with central bank *(note (i))*	1	–	–	–	–	3,830,170	3,830,171
Balances with other banks	3,309,000	11,457,570	–	–	–	–	14,766,570
Loans and advances to customers	–	803,010	58,880	–	–	–	861,890
Debt securities *(note (ii))*							
– Financial assets at fair value through profit or loss	–	–	3,212	37,890	38,062	–	79,164
– Held-to-maturity investments	–	100,000	80,959	310,802	–	–	491,761
Total assets	3,309,001	12,360,580	143,051	348,692	38,062	3,830,170	20,029,556
Deposits from customers *(note (iii))*	5,185,213	12,798,223	285,172	98,717	–	–	18,367,325
Total liabilities	5,185,213	12,798,223	285,172	98,717	–	–	18,367,325
Net position	(1,876,212)	(437,643)	(142,121)	249,975	38,062	3,830,170	1,662,231
Net-off statements of financial position							
– Gross loan commitments	–	–	–	–	–	–	–

	31 December 2013						
	Repayable on demand	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years	Indefinite	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and balances with central bank *(note (i))*	78	–	–	–	–	3,908,317	3,908,395
Balances with other banks	3,437,990	14,565,972	–	–	–	–	18,003,962
Loans and advances to customers	–	2,035,000	–	165,628	–	–	2,200,628
Debt securities *(note (ii))*							
– Financial assets at fair value through profit or loss	–	–	23,370	–	35,519	–	58,889
– Held-to-maturity investments	–	130,390	310,481	210,116	–	–	650,987
Total assets	3,438,068	16,731,362	333,851	375,744	35,519	3,908,317	24,822,861
Deposits from customers *(note (iii))*	5,495,806	17,190,766	295,752	397,491	–	–	23,379,815
Total liabilities	5,495,806	17,190,766	295,752	397,491	–	–	23,379,815
Net position	(2,057,738)	(459,404)	38,099	(21,747)	35,519	3,908,317	1,443,046
Net-off statements of financial position							
– Gross loan commitments	114,700	–	–	–	–	–	114,700

	31 December 2014						
	Repayable on demand	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years	Indefinite	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and balances with central bank *(note (i))*	2	–	–	–	–	3,129,926	3,129,928
Balances with other banks	5,248,504	14,454,173	–	1,223,870	–	–	20,926,547
Loans and advances to customers	–	2,437,000	121,156	105,419	–	–	2,663,575
Debt securities *(note (ii))*							
– Financial assets at fair value through profit or loss	–	–	–	–	38,542	–	38,542
– Held-to-maturity investments	–	310,143	130,054	80,000	–	–	520,197
Total assets	5,248,506	17,201,316	251,210	1,409,289	38,542	3,129,926	27,278,789
Deposits from customers *(note (iii))*	8,446,161	16,367,878	594,010	81,627	–	–	25,489,676
Total liabilities	8,446,161	16,367,878	594,010	81,627	–	–	25,489,676
Net position	(3,197,655)	833,438	(342,800)	1,327,662	38,542	3,129,926	1,789,113
Net-off statements of financial position							
– Gross loan commitments	112,581	–	–	–	–	–	112,581

	30 September 2015						
	Repayable on demand	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years	Indefinite	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and balances with central bank *(note (i))*	2	–	–	–	–	1,962,470	1,962,472
Balances with other banks	4,454,180	10,201,509	–	70	–	–	14,655,759
Loans and advances to customers	–	4,654,768	50,000	533,228	–	–	5,237,996
Debt securities *(note (ii))*							
– Financial assets at fair value through profit or loss	–	–	–	39,852	–	–	39,852
– Held-to-maturity investments	–	110,022	40,000	80,000	–	–	230,022
Total assets	4,454,182	14,966,299	90,000	653,150	–	1,962,470	22,126,101
Deposits from customers *(note (iii))*	5,696,421	14,651,316	403,619	144,878	–	–	20,896,234
Total liabilities	5,696,421	14,651,316	403,619	144,878	–	–	20,896,234
Net position	(1,242,239)	314,983	(313,619)	508,272	–	1,962,470	1,229,867
Net-off statements of financial position							
– Gross loan commitments	87,272	–	–	–	–	–	87,272

Notes:

(i) For balances with central bank, indefinite amount represents statutory deposit reserve and fiscal balances maintained with the PBOC.

(ii) The remaining maturities of financial assets at fair value through profit or loss included in investments do not represent the Target Company intention to hold them to maturity.

(iii) The deposits from customers that are repayable on demand included time deposits matured and awaiting for customers' instructions.

(d) Operational risk

Operational risk arises from the direct and indirect loss due to technique, procedure, infrastructure and staff deficiency, as well as other risks which have effect on operation.

During the Relevant Periods, the Target Company continued to enhance its operational risk management by further improving operational risk management framework and methodologies, strengthening operational risk appraisal and assessment mechanisms, stepping up the identification, evaluation and monitoring of operational risk in key areas, and subjecting operational risk to its economic capital management. Various key risk indicators were compliant with the Target Company's risk preference requirements.

In face of challenges from internal and external operations and management, the Target Company will, based on its risk preference, continue to upgrade its risk management skills, strengthen operational risk monitoring and controls, as well as endeavour to prevent and reduce operational risk losses.

(e) Fair value information

(i) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Target Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Target Company has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

(ii) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	143,255	–	–	143,255

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	436,896	–	–	436,896

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	316,511	–	–	316,511

	30 September 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	598,407	–	–	598,407
Available-for-sale financial assets	–	32,374	–	32,374
	598,407	32,374	–	630,781

During the Relevant Periods, there were no significant transfers among each level.

(iii) Fair value of financial assets and liabilities not carried at fair value

The carrying amount of the Target Company's financial assets and liabilities carried at cost or amortised costs are not materially different from their fair value at 31 December 2012, 2013 and 2014 and 30 September 2015.

5 CAPITAL RISK MANAGEMENT

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue operations in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Company manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. Capital adequacy ratio management is the core of the capital management of the Target Company. Capital adequacy ratio reflects the Target Company's sound operations and risk management capability.

The Target Company calculates capital adequacy ratios in accordance with the guidance issued by CBRC and closely and continuously monitor the capital adequacy level according to the requirements set by CBRC. When considering the strategic development plans and business expansion plans, capital adequacy ratios and economic capital restriction would be fully considered.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments is established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments and discounted cash flow analysis and option pricing models. The Target Company has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the area that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Target Company make the maximum use of market inputs and rely as little as possible on the Target Company's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Target Company has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity investments are met, management makes significant judgements. Failure in correctly assessing the Target Company's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale financial assets.

(c) Impairment losses on loans and advances

Loan portfolios are assessed periodically to assess whether impairment losses exist and the amounts of impairment losses if they do. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual loan. Objective evidence for impairment is described in accounting policy note 2.7(i). The impairment loss for a loan that is individually evaluated for impairment is the decrease in the estimated future cash flow of that loan. When loans and advances are collectively evaluated for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(d) Impairment losses of available-for-sale financial assets and held-to-maturity investment

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale and held-to-maturity investments, the Target Company assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of judgement, which would affect the amount of impairment losses.

(e) Deferred tax assets

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(f) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Target Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

7 SEGMENT INFORMATION

The Target Company conducts its business within one business segment – the business of corporate lending and deposits taking and investments in the PRC. The Target Company's chief decision maker for operation is the Target Company's directors. The information reviewed by the directors is identical to the information presented in profit or loss and other comprehensive income. No segment information has been prepared by the Target Company for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

The Target Company also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are in majority located in the PRC. Accordingly, no geographical segment data is presented.

8 INTEREST INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loans and advances to customers	16,652	80,867	92,555	69,040	112,928
Balances with central bank	61,963	39,863	53,074	41,281	24,830
Balances with other banks and placements with other financial institutions	882,422	776,610	773,051	612,952	359,111
Amounts held under resale agreements	3,848	129	366	366	–
Interest income on financial assets that are not at fair value through profit or loss	964,885	897,469	919,046	723,639	496,869

9 INTEREST EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Deposits and placements from banks and other financial institutions	–	1,391	4,958	2,255	6,122
Deposits from customers	685,250	496,032	501,298	393,012	315,406
Interest expense on financial liabilities that are not at fair value through profit or loss	685,250	497,423	506,256	395,267	321,528

10 FEE AND COMMISSION INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Agency service fees	753	552	290	205	315

11 OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income from financial assets at fair value through profit or loss	3,862	3,438	10,177	4,806	4,235
Interest income from available-for-sale financial assets	29,815	33,250	73,141	60,041	66,186
Gain on disposal of financial assets at fair value through profit or loss	12,601	3,323	74,192	46,748	326,824
Gain/(loss) on disposal of available-for-sale financial assets	–	7,000	511,891	511,891	(4,732)
Fair value change in financial assets at fair value through profit or loss	(700)	(14,558)	111,320	10,337	(25,021)
Net gains from held-to-maturity investments	21,538	29,712	32,984	25,583	13,890
	67,116	62,165	813,705	659,406	381,382

The above amounts represent gains and losses arising from buying and selling of, interest income and expense on, and changes in fair value of financial assets.

12 PROFIT BEFORE TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation is arrived at after charging/(crediting):					
Staff costs (including directors' and supervisors' emoluments)					
– Salaries and other allowances	17,956	18,987	38,393	20,963	20,960
– Defined contribution plan	3,597	4,327	8,577	5,598	6,297
Total staff cost	21,553	23,314	46,970	26,561	27,257
Auditors' remuneration	532	413	463	–	435
Depreciation of property and equipment	1,679	1,658	1,621	1,159	1,196
Amortisation of intangible assets	748	934	505	400	257
Operating lease rentals	1,453	1,357	3,519	2,461	2,381
Business tax and surcharges	4,178	8,756	14,730	10,447	30,297
Provision for/(reversal of) impairment losses on:					
– Loans and advances to customers	200	(200)	–	–	–
– Placements with other financial institutions	(1,964)	–	–	–	–
Exchange (gains)/losses, net	(1,250)	1,979	(3,221)	(3,167)	(7,760)

13 DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' emoluments

Details of the emoluments paid or payable to each of the directors and supervisors were as follows:

Year ended 31 December 2012

Name	Fees	Salaries and other allowances	Defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Liu Chao	–	816	33	849
Supervisors:				
Xin Jiahe	–	356	33	389
Zhang Chongchu	–	202	30	232
Wang Xintian	–	301	33	334
	–	–	–	–
	–	–	–	–
	–	859	96	955
Total	–	1,675	129	1,804

Year ended 31 December 2013

Name	Fees	Salaries and other allowances	Defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Liu Chao	–	765	37	802
Supervisors:				
Xin Jiahe	–	765	37	802
Zhang Chongchu	–	579	37	616
Wang Xintian	–	325	37	362
	–	1,669	111	1,780
Total	–	2,434	148	2,582

Year ended 31 December 2014

Name	Fees	Salaries and other allowances	Defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Liu Chao	–	780	40	820
Supervisors:				
Xin Jiahe	–	780	40	820
Zhang Chongchu	–	624	40	664
Wang Xintian	–	330	40	370
	–	1,734	120	1,854
Total	–	2,514	160	2,674

Nine months ended 30 September 2014 (unaudited)

Name	Fees	Salaries and other allowances	Defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Liu Chao	–	711	29	740
Supervisors:				
Xin Jiahe	–	711	29	740
Zhang Chongchu	–	569	29	598
Wang Xintian	–	148	29	177
	–	1,428	87	1,515
Total	–	2,139	116	2,255

Nine months ended 30 September 2015

Name	Fees	Salaries and other allowances	Defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Liu Chao	–	741	32	773
Supervisors:				
Xin Jiahe	–	741	32	773
Zhang Chongchu	–	592	32	624
Wang Xintian	–	157	32	189
	–	1,490	96	1,586
Total	–	2,231	128	2,359

(b) The five highest paid individuals

Of the five individuals with highest emoluments, one of them is an executive director and two of them are supervisors whose emolument is disclosed in note 13(a) for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other allowances	602	1,101	1,248	1,138	1,185
Defined contribution plan	66	74	80	58	64
	668	1,175	1,328	1,196	1,249

The number of highest paid employees whose aggregate emoluments fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014 *(unaudited)*	2015
Nil to HKD1,000,000	5	5	5	5	5

14 INCOME TAX

(a) Taxation in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax					
Provision for the year	76,920	105,844	251,403	229,126	128,457
Underprovision in respect of prior year	–	127	–	–	–
	76,920	105,971	251,403	229,126	128,457
Deferred tax *(note 25)*					
Origination and reversal of temporary differences	(218)	(3,766)	28,350	–	(6,333)
	(218)	(3,766)	28,350	–	–
Total tax expense	76,702	102,205	279,753	229,126	122,124

PRC enterprise income tax is charged at the statutory rate of 25% of the assessable income as determined with the relevant tax rules and regulations of the PRC for the Relevant Periods.

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	307,995	410,000	1,148,330	939,972	489,963
Tax calculated at the statutory PRC tax rate of 25%	76,999	102,500	287,083	234,993	122,491
Tax effect of:					
Non-deductible expenses	500	707	717	508	212
Non-taxable income	(797)	(1,129)	(8,047)	(6,375)	(579)
Under-provision in respect of prior year	–	127	–	–	–
Income tax	76,702	102,205	279,753	229,126	122,124

15 BALANCES WITH CENTRAL BANK

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statutory deposit reserves *(note (i))*	3,830,170	3,908,317	3,129,926	1,962,470
Surplus deposit reserves *(note (ii))*	–	75	1	1
	3,830,170	3,908,392	3,129,927	1,962,471

Notes:

(i) Statutory deposit reserves are funds that are deposited with the PBOC in the PRC as required and are not available for use in the Target Company's daily operations. The statutory deposit reserve funds are calculated at 8% and 5% for eligible RMB deposits and foreign currency deposits respectively as at 30 September 2015 (31 December 2014: 14.50% and 5% for eligible RMB deposits and foreign currency deposits respectively; 31 December 2013: 15% and 5% for eligible RMB deposits and foreign currency deposits respectively; and 31 December 2012: 15% and 5% for eligible RMB deposits and foreign currency deposits respectively.) Eligible deposits include deposits from government authorities and other organisations, fiscal deposits (other than budgets), retail deposits, corporate deposits, and net credit balances of entrusted business.

(ii) The surplus deposit reserve maintained with the PBOC in the PRC are mainly for clearing.

16 BALANCES WITH OTHER BANKS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with banks operating in the PRC	14,766,570	18,003,962	20,926,547	14,655,759

17 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Placements with other financial institutions in the PRC	8,335	7,890	7,919	8,232
Less: Impairment allowances	(8,335)	(7,890)	(7,919)	(8,232)
	–	–	–	–

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets held for trading				
Listed in the PRC				
– Debt securities	41,102	23,370	–	–
– Equity securities	64,091	55,220	237,243	155,460
	105,193	78,590	237,243	155,460
Unlisted in the PRC				
– Debt securities	38,062	35,519	38,542	39,852
– Funds	–	322,787	40,726	403,095
	38,062	358,306	79,268	442,947
	143,255	436,896	316,511	598,407
Issued by:				
– Banks and other financial institutions	36,150	354,309	202,851	453,915
– Corporates	107,105	82,587	113,660	144,492
	143,255	436,896	316,511	598,407

19 INTEREST RECEIVABLE

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balances with other banks	223,737	92,423	60,984	58,212
Debt securities	18,864	21,909	17,539	8,700
Loans and advances to customers	985	2,485	2,714	4,471
	243,586	116,817	81,237	71,383

Included in interest receivable of the Target Company are balances due from shareholders of the Target Company of RMB545,000, RMB794,000, RMB587,000 and RMB1,296,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, non-interest-bearing and repayable on demand.

Included in interest receivable of the Target Company are balances due from fellow subsidiaries of RMB440,000, RMB1,691,000, RMB2,127,000 and RMB3,175,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, non-interest-bearing and repayable on demand.

20 LOANS AND ADVANCES TO CUSTOMERS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate loans and advances *(note)*	862,090	2,200,628	2,663,575	5,237,996
Less: Impairment allowances				
– Individually assessed	(200)	–	–	–
	861,890	2,200,628	2,663,575	5,237,996

Note: All the loans and advances were made to customers in the transportation services industry in the PRC.

Included in loans and advances to customers of the Target Company are balances due from shareholders of the Target Company of RMB525,710,000, RMB741,328,000, RMB741,156,000 and RMB1,904,283,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, interest-bearing at 1.4% to 4.8%, 1.84% to 4.5%, 1.84% to 4.2% and 1.94% to 4.2% per annum respectively and repayable in year 2013 to year 2016.

Included in loans and advances to customers of the Target Company are balances due from fellow subsidiaries of RMB336,180,000, RMB1,459,300,000, RMB1,922,419,000 and RMB3,333,713,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, interest-bearing at 4.5% to 5.76%, 4.2% to 5.54%, 3.92% to 5.4% and 2.29% to 4.8% per annum respectively and repayable in year 2013 to year 2020.

Movements of impairment allowances during the Relevant Periods are as follows:

	Collectively assessed *RMB'000*	**Individually assessed** *RMB'000*	**Total** *RMB'000*
As at 1 January 2012	–	–	–
Charge for the year	–	200	200
As at 31 December 2012 and 1 January 2013	–	200	200
Reverse for the year	–	(200)	(200)
As at 31 December 2013, 1 January 2014, 31 December 2014, 1 January 2015 and 30 September 2015	–	–	–

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December			**At 30 September**
	2012 *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*
Unlisted in the PRC, issued by banks and other financial institutions				
– Equity securities, at cost	57,967	57,967	–	–
– Entrusted asset management fund, at fair value	–	–	–	14,752
– Trust investment fund, at cost *(note)*	370,000	432,669	890,674	780,000
– Trust investment fund, at fair value	–	–	–	17,622
Less: impairment allowances	(220)	(220)	–	–
	427,747	490,416	890,674	812,374

Note: Unlisted trust investment fund issued by other financial institutions incorporated in the PRC are measured at cost less impairment losses at the end of each the Relevant Periods because there are no quoted market prices for these investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, the directors are of opinion that a reasonable estimate of the fair value cannot be made.

22 HELD-TO-MATURITY INVESTMENTS

	At 31 December			**At 30 September**
	2012 *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*
Listed in the PRC				
– Corporate debt securities	–	30,000	30,000	30,000
Unlisted in the PRC				
– Corporate debt securities	491,761	620,987	490,197	200,022
	491,761	650,987	520,197	230,022

23 PROPERTY AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Computer and office equipment *RMB'000*	Total *RMB'000*
Cost:				
As at 1 January 2012	38,482	406	4,885	43,773
Additions	–	–	296	296
As at 31 December 2012 and 1 January 2013	38,482	406	5,181	44,069
Additions	–	–	166	166
As at 31 December 2013 and 1 January 2014	38,482	406	5,347	44,235
Additions	–	–	410	410
Disposals	–	–	(133)	(133)
As at 31 December 2014 and 1 January 2015	38,482	406	5,624	44,512
Additions	–	–	193	193
As at 30 September 2015	38,482	406	5,817	44,705
Accumulated depreciation and impairment losses:				
As at 1 January 2012	15,616	406	4,294	20,316
Charge for the year	1,333	–	346	1,679
As at 31 December 2012 and 1 January 2013	16,949	406	4,640	21,995
Charge for the year	1,333	–	325	1,658
As at 31 December 2013 and 1 January 2014	18,282	406	4,965	23,653
Charge for the year	1,333	–	288	1,621
Written back on disposals	–	–	(133)	(133)
As at 31 December 2014 and 1 January 2015	19,615	406	5,120	25,141
Charge for the period	1,000	–	196	1,196
As at 30 September 2015	20,615	406	5,316	26,337
Carrying value:				
As at 31 December 2012	21,533	–	541	22,074
As at 31 December 2013	20,200	–	382	20,582
As at 31 December 2014	18,867	–	504	19,371
As at 30 September 2015	17,867	–	501	18,368

The buildings are located on land under medium term leases in the PRC.

None of property and equipment is pledged as at the end of each of the Relevant Periods.

24 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
As at 1 January 2012	6,848
Additions	345
As at 31 December 2012 and 1 January 2013	7,193
Additions	860
As at 31 December 2013 and 1 January 2014	8,053
Additions	53
As at 31 December 2014, 1 January 2015 and 30 September 2015	8,106
Accumulated amortisation:	
As at 1 January 2012	5,518
Charge for the year	748
As at 31 December 2012 and 1 January 2013	6,266
Charge for the year	934
As at 31 December 2013 and 1 January 2014	7,200
Charge for the year	505
As at 31 December 2014 and 1 January 2015	7,705
Charge for the period	257
As at 30 September 2015	7,962
Carrying value:	
As at 31 December 2012	927
As at 31 December 2013	853
As at 31 December 2014	401
As at 30 September 2015	144

25 DEFERRED TAX ASSETS/(LIABILITIES)

	At 31 December			**At 30 September**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	6,140	9,906	2,682	3,366
Deferred tax liabilities	–	–	(21,126)	(14,871)
Net amount	6,140	9,906	(18,444)	(11,505)

(a) Nature of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) are as follows:

	At 31 December 2012		At 31 December 2013		At 31 December 2014		At 30 September 2015	
	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*	Deductible/ (taxable) temporary difference *RMB'000*	Deferred tax assets/ (liabilities) *RMB'000*	Deductible/ (taxable) temporary difference *RMB'000*	Deferred tax assets/ (liabilities) *RMB'000*
Deferred tax assets								
Impairment allowances on placement with other financial institutions	8,335	2,083	7,890	1,973	7,919	1,980	8,232	2,058
Available-for-sale financial assets at fair value	–	–	–	–	–	–	2,423	606
Financial assets at fair value through profit or loss	12,259	3,065	26,817	6,704	–	–	–	–
Others	3,967	992	4,918	1,229	2,809	702	2,809	702
Total	24,561	6,140	39,625	9,906	10,728	2,682	13,464	3,366
Deferred tax liabilities								
Financial assets at fair value through profit or loss	–	–	–	–	(84,503)	(21,126)	(59,482)	(14,871)
Total	–	–	–	–	(84,503)	(21,126)	(59,482)	(14,871)

(b) Movements of deferred tax:

	Impairment allowances on placement with other financial assets at fair value through profit or loss *RMB'000*	Available-for-sale financial assets at fair value *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2012	2,283	–	2,890	749	5,922
Recognised in profit or loss	(200)	–	175	243	218
As at 31 December 2012 and 1 January 2013	2,083	–	3,065	992	6,140
Recognised in profit or loss	(110)	–	3,639	237	3,766
As at 31 December 2013 and 1 January 2014	1,973	–	6,704	1,229	9,906
Recognised in profit or loss	7	–	(27,830)	(527)	(28,350)
As at 31 December 2014 and 1 January 2015	1,980	–	(21,126)	702	(18,444)
Recognised in profit or loss	78	–	6,255	–	6,333
Recognised in other comprehensive loss	–	606	–	–	606
As at 30 September 2015	2,058	606	(14,871)	702	(11,505)

26 OTHER ASSETS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Valet remittance	55,690	41,150	21,510	13,536
Prepaid income tax	–	–	–	1,250
Personal income tax	–	–	–	2,054
Other	4	40	627	946
	55,694	41,190	22,137	17,786

27 DEPOSITS FROM CUSTOMERS

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate customers				
– Demand deposits	5,185,213	5,495,806	8,446,161	5,696,421
– Time deposits	13,182,112	17,884,009	17,043,515	15,199,813
	18,367,325	23,379,815	25,489,676	20,896,234

Included in deposits from customers of the Target Company is balance dealt with immediate holding company of RMB373,573,000, RMB93,508,000, RMB118,885,000 and RMB2,184,393,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, interest-bearing at 0.39%, 0.39%, 0.42% and 0.46% to 1.96% per annum respectively and repayable on demand or repayable in 2015.

Included in deposits from customers of the Target Company are balances dealt with shareholders of the Target Company of RMB9,481,973,000, RMB13,100,294,000, RMB15,046,474,000 and RMB6,604,468,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, interest-bearing at 0.05% to 4.4%, 0.05% to 4.68%, 0.05% to 4.68% and 0.05% to 4.88% per annum respectively and repayable on demand or repayable in year 2013 to year 2018.

Included in deposits from customers of the Target Company are balances dealt with fellow subsidiaries of RMB8,511,779,000, RMB10,186,013,000, RMB10,324,317,000 and RMB12,107,373,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, interest-bearing at 0.1% to 5.5%, 0.2% to 5.5%, 0.05% to 5.5% and 0.05% to 5.5% per annum respectively and repayable on demand or repayable in year 2013 to year 2019.

28 INTEREST PAYABLE

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer deposit and others	238,145	148,323	123,641	126,211

Included in interest payable of the Target Company is balance due to immediate holding company of RMB560,000, RMB103,000, RMB117,000 and RMB3,219,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, non-interest-bearing and repayable on demand.

Included in interest payable of the Target Company are balances due to shareholders of the Target Company of RMB214,035,000, RMB110,551,000, RMB87,284,000 and RMB61,072,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, non-interest-bearing and repayable on demand.

Included in interest payable of the Target Company are balances due to fellow subsidiaries of RMB23,550,000, RMB37,669,000, RMB36,240,000 and RMB61,920,000 at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively, which are unsecured, non-interest-bearing and repayable on demand.

29 TAX PAYABLE

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate income tax	11,258	14,551	1,679	–
Business tax and surcharges payable	2,428	2,253	4,283	5,477
Others	451	462	1,757	146
	14,137	17,266	7,719	5,623

30 OTHER LIABILITIES

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Valet remittance	56,425	41,507	21,222	13,534
Accrued management fee	2,301	2,301	2,301	2,301
Payables for acquisition of buildings	3,400	3,400	3,400	3,400
Salaries and welfare payable	2,118	722	1,476	2,312
Others	2,364	3,496	1,832	1,671
	66,608	51,426	30,231	23,218

31 SHARE CAPITAL

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-up capital	1,600,000	1,600,000	1,600,000	1,600,000

32 AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE

The available-for-sale financial assets revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of each of the Relevant Periods.

33 SURPLUS RESERVE

The Target Company is required to transfer 10% of its net profit as determined in accordance with PRC Accounting Rules and Regulations to its statutory surplus reserve. The transfer to this reserve must before distribution of a dividend to shareholders.

34 REGULATORY GENERAL RESERVE

Pursuant to relevant notices from Ministry of Finance, the Target Company is required to set aside a general reserve according to a certain percentage of the ending balance of gross risk-bearing assets through profit to cover potential losses against their assets. Effective from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years.

35 DIVIDENDS DECLARED AND PAID

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividends in respect of the previous years, approved, declared and paid	159,743	187,593	251,512	251,512	724,969

36 ASSETS PLEDGED AS SECURITY

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets pledged				
– Bank deposit guarantee*	10,125	11,149	4,642	1,579
– Other assets*	1,582	1,587	1,593	1,597
	11,707	12,736	6,235	3,176

* These are certain balances deposited with other banks that are pledged as security.

37 ENTRUSTED LENDING BUSINESS

The Target Company's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances by the Target Company to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Target Company in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Target Company to any credit risk. As instructed by these principals, the Target Company holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Trust assets are not assets of the Target Company and are not recognised in the statement of financial position. Income received and receivable for providing these services are recognised in the statement of profit or loss and other comprehensive income as fee and commission income.

At the end of each of the Relevant Periods, the entrusted assets and liabilities were as follows:

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entrusted loans	3,565,773	4,043,074	6,614,217	6,091,917
Entrusted funds	(3,565,773)	(4,043,074)	(6,614,217)	(6,091,917)

38 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The remuneration of directors and other members of key management was as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	1,675	2,434	2,514	2,139	2,231
Defined contribution plan	129	148	160	116	128
	1,804	2,582	2,674	2,255	2,359

(b) Transactions with other related parties

The Target Company entered into the following material related party transactions during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Immediate holding company					
Interest expense	29,847	49,691	19,254	11,936	36,963
Shareholders					
Interest income	7,116	38,323	25,397	20,856	33,389
Interest expense	460,933	227,792	268,802	207,313	115,245
Fee and commission income	68	87	68	43	73
Fellow subsidiaries					
Interest income	9,536	42,544	67,158	48,184	79,539
Interest expense	194,470	218,549	213,242	173,763	163,198
Fee and commission income	685	465	222	162	242
Operating lease rentals	1,153	1,177	2,993	2,073	2,204

Except as disclosed in note 39 and elsewhere in the Financial Information of the Target Company, the Target Company does not have other significant related party transactions.

39 CONTINGENT LIABILITIES

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees for loans of fellow subsidiaries	10,125	11,149	4,761	1,579

The directors of the Target Company consider the fair values of the financial guarantee contracts granted by the Target Company at the date of inception were insignificant during the Relevant Periods.

40 OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating lease of motor vehicles and properties are payable as follows:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	982	930	1,047	995
1 year to 5 years	2,790	1,860	930	240
	3,772	2,790	1,977	1,235

The Target Company lease certain motor vehicles and properties under operating leases. The leases typically run for an initial period of 1 to 5 years, and may include an option to renew the lease when all terms are renegotiated. None of the lease include contingent rental.

41 SUBSEQUENT EVENT

Except as disclosed elsewhere in the Financial Information, the Target Company had no significant events for disclosure subsequent to 30 September 2015 and up to the date of the Accountants' Report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully,
Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 December 2015
Tong Wai Hang
Practising certificate number P06231

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

31 December 2015

The Directors
China Shipping Container Lines Company Limited

Dear Sirs,

We report on the financial information of Long Honour Investments Limited ("Long Honour") and its subsidiaries (together, the "Long Honour Group"), which comprises the consolidated and company balance sheets of Long Honour as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of Long Honour for each of the years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"). This Financial Information has been prepared by the directors of China Shipping Container Lines Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix I to the circular of the Company dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of Long Honour and other interlocked transactions by the Company. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

Long Honour was incorporated in the British Virgin Islands as a company with limited liability on 22 September 1998. As at the date of this report, Long Honour has direct interests in a subsidiary and indirect interests in an associate as set out in Notes 8 and 9 of Section II below respectively.

The financial statements of Long Honour for the year ended 31 December 2012 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with Long Honour. No audited consolidated financial statements have been prepared by Long Honour for each of the years ended 31 December 2013 and 2014 as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The directors of Long Honour during the Relevant Periods are responsible for the preparation of the consolidated financial statements of Long Honour that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Financial Information has been prepared based on the audited financial statements of Long Honour for the year ended 31 December 2012, and the unaudited consolidated financial statements of Long Honour for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs, and the accounting policies adopted by the Company and its subsidiaries (the "Group") as set out in the annual report of the Company for the year ended 31 December 2014 and interim report of the Company for the six months ended 30 June 2015 for the new standards and interpretations effective as of 1 January 2015 (referred to as "accounting policies adopted by the Group" thereafter).

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the financial information for the year ended 31 December 2012

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 31 December 2012 and its results and cash flows for the year ended 31 December 2012.

Basis for disclaimer of opinion in respect of the financial information for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015

Long Honour Group's investment in China International Marine Containers (Group) Limited ("CIMC") was acquired in 2013 and has been accounted for as an associate using equity method. The Target Group's investment in CIMC is carried at US$1,310,868,000, US$1,356,815,000 and US$1,368,285,000 on the consolidated balance sheets as at 31 December 2013, 31 December 2014 and 30 September 2015 respectively. Long Honour Group's share of CIMC's results of US$59,293,000, US$83,206,000 and US$55,769,000 are included in the consolidated income statements for the years ended 31 December 2013 and 2014 and for the nine months ended 30 September 2015.

The share of net assets of CIMC as at 31 December 2013 and 2014 and 30 September 2015 and the share of profits of CIMC for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 were computed by management of the Long Honour Group based on the publicly announced audited results for the years ended 31 December 2013 and 2014 and the publicly announced unaudited results for the nine months ended 30 September 2015 of CIMC respectively.

We were unable to obtain sufficient appropriate audit evidence on the carrying amounts of the Long Honour Group's investment in CIMC as at 31 December 2013 and 2014 and 30 September 2015 and the Long Honour Group's share of CIMC's results for the years ended 31 December 2013 and 2014 and for the nine months ended 30 September 2015 because we were unable to access CIMC management and its auditor, together with its books and records to perform the necessary procedures to obtain sufficient appropriate audit evidence.

These necessary procedures include, but not limited to, (i) reviewing the working papers of CIMC's auditor and meeting with CIMC management and its auditor to discuss the issues during the course of audit for each of the years ended 31 December 2013 and 2014, whereas there was no audit performed in respect of the financial information of CIMC for the nine months ended 30 September 2015; (ii) comparing the accounting policies of CIMC and the Company to assess whether the financial information is prepared according to the accounting policies adopted by the Group; and (iii) performing subsequent events procedures from each of the balance sheet dates up to the date of this report. Such procedures might or might not have resulted in the identification of adjustments to the amounts reported in and/or disclosed in the notes to the financial information of the Long Honour Group for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015. Consequently, we were unable to determine whether any adjustments to these amounts were necessary and were unable to satisfy ourselves by alternative means.

Disclaimer of opinion in respect of the consolidated financial information for each of the years ended 31 December 2013 and 2014, and the nine months ended 30 September 2015

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial information for each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015.

Review of Stub Period Comparative Financial Information

We were engaged to review the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Circular which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Target Company for the nine months ended 30 September 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below and the accounting policies adopted by the Group.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information. Because of the matter described in the basis for disclaimer of conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for expressing a conclusion on the Stub Period Comparative Financial Information.

Basis for disclaimer of conclusion in respect of Stub Period Comparative Financial Information

The share of profit of CIMC for the nine months ended 30 September 2014 of US$53,578,000 was computed by management of the Long Honour Group based on the publicly announced unaudited results for the nine months ended 30 September 2014 of CIMC. We were unable to access CIMC management and its auditor, together with its books and record to perform the necessary review procedures to obtain sufficient appropriate evidence.

These necessary review procedures include, but not limited to, (i) inquiring CIMC's management and applying analytical procedures on the financial information of CIMC; (ii) comparing the accounting policies of CIMC and the Company to assess whether the Stub Period Comparative Financial Information is prepared according to the accounting policies adopted by the Group; and (iii) performing subsequent events procedures from the balance sheet date up to the date of this report. Consequently, we were unable to determine whether any adjustment to this amount was necessary and were unable to satisfy ourselves by alternative means.

Disclaimer of conclusion in respect of Stub Period Comparative Financial Information

Due to the significance of the matter described in the basis for disclaimer of conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the Stub Period Comparative Financial Information. Accordingly, we do not express a conclusion on the Stub Period Comparative Financial Information.

I. FINANCIAL INFORMATION OF THE LONG HONOUR GROUP

The following is the financial information of Long Honour Investments Limited ("Long Honour") and its subsidiaries (together, the "Long Honour Group") prepared by the directors of the Company as at 31 December 2012, 2013, and 2014 and 30 September 2015, and for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015 (the "Financial Information"):

Consolidated balance sheets

	Note	As at 31 December 2012	2013	2014	As at 30 September 2015
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Investment in an associate	9	–	1,310,868	1,356,815	1,368,285
Available-for-sale financial asset	6	38,683	–	–	–
		38,683	1,310,868	1,356,815	1,368,285
Current assets					
Other receivables	7	–	8	9	15,705
Cash and cash equivalents		3	3	2	1
		3	11	11	15,706
Total assets		38,686	1,310,879	1,356,826	1,383,991
EQUITY					
Share capital	10	–	–	–	–
Reserves	11	38,683	79,710	142,803	175,620
Total equity		38,683	79,710	142,803	175,620
LIABILITIES					
Non-current liability					
Deferred income tax	12	–	31,415	38,168	40,945
Current liabilities					
Accruals		3	3	3	–
Amount due to immediate holding company	16	–	1,199,751	1,175,852	1,167,426
		3	1,199,754	1,175,855	1,167,426
Total liabilities		3	1,231,169	1,214,023	1,208,371
Total equity and liabilities		38,686	1,310,879	1,356,826	1,383,991
Net current liabilities		–	1,199,743	1,175,844	1,151,720
Total assets less current liabilities		38,683	111,125	180,971	216,565

Balance sheets

	Note	As at 31 December 2012	2013	2014	As at 30 September 2015
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Investment in a subsidiary	8	–	872,805	872,805	872,805
Balance with a subsidiary	15	–	304,970	278,235	266,796
Available-for-sale financial asset	6	38,683	53,819	56,221	44,436
		38,683	1,231,594	1,207,261	1,184,037
Current assets					
Other receivables		–	1	1	1
Amount due from a subsidiary	16	–	22,702	26,537	30,700
Cash and cash equivalents		3	3	2	1
		3	22,706	26,540	30,702
Total assets		38,686	1,254,300	1,233,801	1,214,739
EQUITY					
Share capital	10	–	–	–	–
Reserves	11	38,683	54,546	57,946	47,315
Total equity		38,683	54,546	57,946	47,315
LIABILITIES					
Current liabilities					
Accruals		3	3	3	–
Amount due to immediate holding company	16	–	1,199,751	1,175,852	1,167,424
Total liabilities		3	1,199,754	1,175,855	1,167,424
Total equity and liabilities		38,686	1,254,300	1,233,801	1,214,739
Net current liabilities		–	1,177,048	1,149,315	1,136,722
Total assets less current liabilities		38,683	54,546	57,946	47,315

Consolidated income statements

	Note	Year ended 31 December			Nine months ended 30 September	
		2012	**2013**	**2014**	**2014**	**2015**
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Dividend income		1,842	–	–	–	–
Administrative expenses		(3)	(71)	(1)	(1)	(3)
Other gains/(losses), net	*13*	78	36,601	(129)	(59)	(747)
Operating profit/(loss)		1,917	36,530	(130)	(60)	(750)
Finance income	*17*	1	16	10	10	16
Operating profit/(loss) after finance income		1,918	36,546	(120)	(50)	(734)
Gains on dilution of investment in an associate		–	–	1,379	1,055	4,576
Share of profits of an associate	*9*	–	59,293	83,206	53,578	55,769
Profit before income tax		1,918	95,839	84,465	54,583	59,611
Income tax expenses	*14*	(184)	(6,133)	(9,407)	(6,194)	(5,847)
Profit for the year/period		1,734	89,706	75,058	48,389	53,764

Consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit for the year/period	1,734	89,706	75,058	48,389	53,764
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Fair value gains on available-for-sale financial asset *(Note 6)*	9,606	1,129	–	–	–
Recycling of investment revaluation reserve upon deemed disposal of available-for-sale financial asset	–	(36,672)	–	–	–
Currency translation difference of an associate	–	10,142	(1,051)	(5,243)	(33,067)
Share of other comprehensive income of an associate	–	(20,247)	(6,880)	(4,941)	6,040
	9,606	(45,648)	(7,931)	(10,184)	(27,027)
Total comprehensive income for the year/period	11,340	44,058	67,127	38,205	26,737

Consolidated statements of changes in equity

	Share capital US$'000	Capital reserve US$'000	Investment revaluation reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained profits US$'000	Total reserves US$'000	Total equity US$'000
At 1 January 2012	–	–	25,937	–	–	8,283	34,220	34,220
Profit for the year	–	–	–	–	–	1,734	1,734	1,734
Fair value gains on available-for-sale financial asset *(Note 6)*	–	–	9,606	–	–	–	9,606	9,606
Dividend *(Note 18)*	–	–	–	–	–	(6,877)	(6,877)	(6,877)
At 31 December 2012	–	–	35,543	–	–	3,140	38,683	38,683
At 1 January 2013	–	–	35,543	–	–	3,140	38,683	38,683
Profit for the year	–	–	–	–	–	89,706	89,706	89,706
Share of other comprehensive income of an associate	–	(15,025)	–	(5,222)	–	–	(20,247)	(20,247)
Share of reserve movement of an associate	–	(3,031)	–	–	–	–	(3,031)	(3,031)
Fair value gains on available-for-sale financial asset *(Note 6)*	–	–	1,129	–	–	–	1,129	1,129
Recycling of investment revaluation reserve upon deemed disposal of available-for-sale financial asset	–	–	(36,672)	–	–	–	(36,672)	(36,672)
Currency translation difference of an associate	–	–	–	10,142	–	–	10,142	10,142
Transfer	–	–	–	–	2,276	(2,276)	–	–
At 31 December 2013	–	(18,056)	–	4,920	2,276	90,570	79,710	79,710
At 1 January 2014	–	(18,056)	–	4,920	2,276	90,570	79,710	79,710
Profit for the year	–	–	–	–	–	75,058	75,058	75,058
Share of other comprehensive income of an associate	–	(568)	–	(6,312)	–	–	(6,880)	(6,880)
Share of reserve movement of an associate	–	(4,034)	–	–	–	–	(4,034)	(4,034)
Currency translation difference of an associate	–	–	–	(1,051)	–	–	(1,051)	(1,051)
Transfer	–	–	–	–	188	(188)	–	–
At 31 December 2014	–	(22,658)	–	(2,443)	2,464	165,440	142,803	142,803
Nine months ended 30 September 2015								
At 1 January 2015	–	(22,658)	–	(2,443)	2,464	165,440	142,803	142,803
Profit for the period	–	–	–	–	–	53,764	53,764	53,764
Share of other comprehensive income of an associate	–	(166)	–	6,206	–	–	6,040	6,040
Share of reserve movement of an associate	–	6,080	–	–	–	–	6,080	6,080
Currency translation difference of an associate	–	–	–	(33,067)	–	–	(33,067)	(33,067)
Transfer	–	–	–	–	25	(25)	–	–
At 30 September 2015	–	(16,744)	–	(29,304)	2,489	219,179	175,620	175,620
Nine months ended 30 September 2014 (unaudited)								
At 1 January 2014	–	(18,056)	–	4,920	2,276	90,570	79,710	79,710
Profit for the period	–	–	–	–	–	48,389	48,389	48,389
Share of other comprehensive income of an associate	–	(268)	–	(4,673)	–	–	(4,941)	(4,941)
Share of reserve movement of an associate	–	715	–	–	–	–	715	715
Currency translation difference of an associate	–	–	–	(5,243)	–	–	(5,243)	(5,243)
At 30 September 2014	–	(17,609)	–	(4,996)	2,276	138,959	118,630	118,630

Consolidated cash flow statements

	Note	Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
		US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Cash flows from operating activities						
Cash (used in)/generated from operations	*21(a)*	(1)	(403)	6	6	(851)
Interest received		1	16	10	10	16
China mainland tax paid		(184)	(2,270)	(2,654)	(2,654)	(3,070)
Net cash used in operating activities		**(184)**	**(2,657)**	**(2,638)**	**(2,638)**	**(3,905)**
Cash flows from investing activities						
Acquisition of an associate		–	–	–	–	(2,674)
Decrease/(increase) in other receivables		5,220	(8)	(1)	(1)	(15,696)
Dividend received from available-for-sale financial asset/investment in an associate		1,842	22,702	26,537	26,537	30,700
Net cash generated from investing activities		**7,062**	**22,694**	**26,536**	**26,536**	**12,330**
Cash flows from financing activities						
Dividend paid		(6,877)	–	–	–	–
Decrease in amount due to immediate holding company		–	(20,037)	(23,899)	(23,899)	(8,426)
Net cash used in financing activity		**(6,877)**	**(20,037)**	**(23,899)**	**(23,899)**	**(8,426)**
Net change in cash and cash equivalents		1	–	(1)	(1)	(1)
Cash and cash equivalents at beginning of the year/period		2	3	3	3	2
Cash and cash equivalents at end of the year/period		3	3	2	2	1

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Long Honour Group is principally engaged in investment holding. Long Honour is a limited liability company incorporated in the British Virgin Islands and its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The immediate holding company of Long Honour is COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), a company incorporated in Hong Kong. The parent company of COSCO (Hong Kong) is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China ("PRC").

The Financial Information is presented in United States dollar ("US$"), unless otherwise stated.

2 BASIS OF PREPARATION

(a) The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information has been prepared under the historical cost convention throughout the Relevant Periods as modified by the revaluation of available-for-sale financial asset which is carried at fair value.

As at 30 September 2015, the Long Honour Group's and Long Honour's current liabilities exceeded their current assets by US$1,151,720,000 and US$1,136,722,000 respectively. The Long Honour Group's and Long Honour's abilities to continue as going concerns are highly dependent on the continuing financial support from its equity holder. COSCO (Hong Kong), the immediate holding company has confirmed its intention to provide continuing financial support to the Long Honour Group and Long Honour for the earlier of the coming 12 months up to 30 September 2016 and the completion date of the proposed acquisition of Long Honour and other interlocked transactions by the Company so as to enable the Long Honour Group and Long Honour to meet their liabilities as and when they fall due and to carry on their business without a significant curtailment of operation for the foreseeable future. In addition, the Company confirmed its intention to provide continuing financial support to the Long Honour Group and Long Honour up to 31 December 2016 starting from the completion date of the proposed acquisition of the Target Company and other interlocked transactions by the Company, if completed. On this basis, the directors of the Company believe that the Long Honour Group and Long Honour will continue as going concerns. Consequently, the directors of the Company have prepared the Financial Information on a going concern basis.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Long Honour Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

(b) Standards, amendments and interpretations have been issued but are not yet effective for the financial periods beginning on or after 1 January 2016 which are applicable to the Long Honour Group

The following new HKFRSs are relevant to the Long Honour Group and mandatory for the accounting period beginning on or after 1 January 2016 or later periods but which the Long Honour Group has not early adopted:

HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendments	Investment Entities: Applying the Consolidation Exception[1]
HKAS 1 Amendment	Disclosure Initiative[1]
HKAS 16 and HKAS 28 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
Annual improvements 2012-2014 cycle	Annual improvements 2012-2014 Cycle[1]

1. Effective for annual periods beginning on or after 1 January 2016

2. Effective for annual periods beginning on or after 1 January 2018

The Long Honour Group has already commenced as assessment of the impact of these new or revised standards, amendments and interpretations to the Long Honour Group, but is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Financial Information are set out below. There policies have been consistently applied to all the years/periods presented.

3.1 Group accounting

(a) Business combination

The Long Honour Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Long Honour Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Long Honour Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Long Honour Group has control. The Target Group controls an entity when the Long Honour Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Long Honour Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Long Honour Group's accounting policies.

In the Long Honour's balance sheets, investment in a subsidiary is accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Long Honour on the basis of dividend income received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate Financial Information exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

(c) Balances with subsidiary

Balances with subsidiary are split into its financial assets/liabilities and equity components at initial recognition. The financial asset/liability component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

(d) Associates

An associate is an entity over which the Long Honour Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Long Honour Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Long Honour Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When there has been a change recognised directly in the equity of the associate, the Long Honour Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Long Honour Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Long Honour Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Long Honour Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Long Honour Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Long Honour Group and its associate are recognised in the Long Honour Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Long Honour Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Long Honour Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in United States dollar ("US dollar"), which is the Long Honour's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Long Honour Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Related exchange differences are recognised in other comprehensive income.

3.3 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or are not subject to depreciation or amortisation are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.4 Financial assets

(i) Classification

The Long Honour Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period which are classified as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months after end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Long Honour Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Long Honour Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Long Honour Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends from available-for-sale financial assets are recognised in the income statement when the Long Honour Group's right to receive payments is established.

3.5 Impairment of financial assets

(i) Assets carried at amortised cost

The Long Honour Group assesses at the each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Long Honour Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(ii) Assets classified as available for sale

The Long Honour Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the consolidated income statement.

3.6 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.8 Provisions

Provisions are recognised when the Long Honour Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.10 Current and deferred income tax

The tax expense for the year/period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Long Honour Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised (provided), using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investment in an associate, except where the timing of the reversal of the temporary difference is controlled by the Long Honour Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.11 Recognition of revenue and income

The Long Honour Group recognises revenue and income on the following bases:

(i) Dividend income

Dividend income is recognised when the Long Honour Group's right to receive payment is established.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3.12 Dividend distribution

Dividend distribution to the Long Honour's shareholder is recognised as a liability in the Long Honour Group's and Long Honour's Financial Information in the period in which the dividends are approved by the Long Honour's shareholder/directors.

4 FINANCIAL RISK MANAGEMENT

The Long Honour Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk and interest rate risk) and liquidity risk. Management of the Long Honour manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Long Honour Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Long Honour Group's financial performance.

Risk management is carried out by management under policies approved by the board of directors of the Long Honour. The board of directors of the Long Honour provides written policies covering specific areas, such as interest rate risk and credit risk.

4.1 Financial risk factors

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises from net investment in PRC operation and the functional currency of the Long Honour Group's associate is Renminbi.

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31 December 2012, 2013, 2014 and 30 September 2015, the Long Honour Group had no forward foreign exchange contract.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, with all other variables held constant, if US dollar had weakened/strengthened by 5% against Renminbi, the corresponding share of profits of an associate for the year ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2015 would have been US$nil, US$2,668,000, US$3,744,000 and US$2,510,000 higher/lower respectively.

(ii) Interest rate risk

The Long Honour Group has no significant interest bearing assets and liabilities. The Long Honour Group is not subject to significant impact to its income and operating cash flows from the exchange in market interest rates.

(b) Credit risk

The Long Honour Group's credit risk arises from cash and cash equivalents and other receivables. For financial institutions and investment brokers, only independently rated parties with good rating are accepted and the Group's bank balance and other receivables were placed with a state-owned bank and investment brokers with good credit rating. The Group has no significant concentration of credit risk.

(c) Liquidity risk

The Long Honour Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds (including the funding from immediate holding company) are available for its short term and long term requirements. It is in a net current liabilities portion as of year/period end date. Please refer to Note 2(a).

The table below analyses the Long Honour Group's and the Long Honour's financial liabilities which will be settled in to relevant maturity groupings based on the remaining period at each of the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	US$'000
Long Honour Group	
At 31 December 2013	
Amount due to immediate holding company	1,199,751
At 31 December 2014	
Amount due to immediate holding company	1,175,852
At 30 September 2015	
Amount due to immediate holding company	1,167,426

	Less than 1 year
	US$'000
Long Honour	
At 31 December 2013	
Amount due to immediate holding company	1,199,751
At 31 December 2014	
Amount due to immediate holding company	1,175,852
At 30 September 2015	
Amount due to immediate holding company	1,167,424

4.2 Capital risk management

The Long Honour Group's objectives when managing capital are to safeguard the Long Honour Group's ability to continue as a going concern in order to provide returns for the equity holder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Long Honour Group monitors capital on the basis of the net debt (total borrowings less cash and cash equivalents) to total equity ratio. As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Long Honour Group did not have any external borrowings and its operations are funded by the immediate holding company.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuations method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Long Honour Group's and Long Honour's financial instrument that are measured at fair value at 31 December 2012, 2013 and 2014 and 30 September 2015.

	Level 1			
	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Long Honour Group				
Available-for-sale financial asset – Equity securities	38,683	–	–	–
Long Honour				
Available-for-sale financial asset – Equity securities	38,683	53,819	56,221	44,436

For listed investment, the Long Honour Group will determine the fair value of available-for-sale financial asset by reference to the quoted market price at each of the balance sheet dates. The available-for-sale financial asset are included in level 1.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Long Honour Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Long Honour Group's consolidated financial statements.

6 AVAILABLE-FOR-SALE FINANCIAL ASSET

Long Honour Group

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	29,013	38,683	–	–
Current translation differences	64	42	–	–
Transfer to investment in an associate *(Note 9(a))*	–	(39,854)	–	–
Fair value gains	9,606	1,129	–	–
At end of the year/period	38,683	–	–	–

Long Honour

	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	29,013	38,683	53,819	56,221
Current translation differences	64	(17)	(14)	43
Fair value gains	9,606	15,153	2,416	(11,828)
At end of the year/period	38,683	53,819	56,221	44,436

Available-for-sale financial asset included the investment in listed securities in Hong Kong, which is denominated in Hong Kong dollar.

7 OTHER RECEIVABLES

As at 30 September 2015, included in other receivables are deposits of US$15,705,000 placed in the brokers for the purchase of securities.

8 SUBSIDIARY

	Long Honour			
	31 December			30 September
	2012	**2013**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted investments	–	872,805	872,805	872,805

Details of the subsidiary as at 31 December 2012, 2013 and 2014 and 30 September 2015 are as follows:

Name	Place and date of incorporation/ establishment	Principal Activity	Issued share capital/ paid up capital	Long Honour's effective equity interest 31 December 2012	2013	2014	30 September 2015
COSCO Container Industries Limited	British Virgin Islands, 26 April 2004	Investment holding	1 ordinary share of US$1	–	100%	100%	100%

Notes:

(i) Shares were held directly by the Long Honour.

(ii) No audited financial statements have been prepared for this subsidiary as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

9 INVESTMENT IN AN ASSOCIATE

	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Share of net assets	–	1,310,868	1,356,815	1,368,285
Share of profits of an associate	–	59,293	83,206	55,769
Fair value of listed shares	–	1,421,682	1,931,609	1,471,202

Details of the associate as at 31 December 2012, 2013 and 2014 and 30 September 2015 are as follows:

Name	Place of incorporation/ establishment	Principal Activity	Issued share capital/paid up capital	Long Honour Group's effective equity interest 31 December 2012	2013	2014	30 September 2015
China International Marine Containers (Group) Co., Ltd. ("CIMC")	PRC	Container manufacturing	*Note (a)*	N/A	22.75%	22.67%	22.58%

Notes:

(a) The issued share capital of CIMC was RMB2,662,396,051 (representing 1,231,915,542 "A" shares and 1,430,480,509 "H" shares) of RMB1 each, RMB2,672,628,551 (representing 1,242,148,042 "A" shares and 1,430,480,509 "H" shares) of RMB1 each and RMB2,690,250,286 (representing 1,259,769,777 "A" shares and 1,430,480,509 "H" shares) of RMB1 each as at 31 December 2013, 2014 and 30 September 2015 respectively.

(b) During the year ended 31 December 2013, Long Honour has further acquired 21.8% interest in CIMC, through acquisition of 100% interest in COSCO Container Industries Limited (Note 8), from its related party. This transaction was funded by Long Honour Group's immediate holding company. Upon completion of the transaction, the Long Honour Group's interest in CIMC increased from 0.95% to 22.75% and the investment in CIMC has been reclassified from available-for-sale financial asset to investment in an associate. As a result, gain on deemed disposal of available-for-sale financial asset of US$36,672,000 was recognised. CIMC and its subsidiaries are principally engaged in manufacturing of modern transportation facilities, facilities for energy, food, chemistry and rendering of relative services.

(c) Summarised financial information of CIMC

Set out below is the summarised financial information of CIMC, which, in the opinion of directors, is material to Long Honour Group. The associate is accounted for using equity method after adjustments to conform to the Long Honour Group's significant accounting policies.

(i) Summarised statements of financial position

	31 December 2012	31 December 2013	31 December 2014	30 September 2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total current assets	6,100,737	6,752,557	7,382,277	7,523,087
Total current liabilities	(4,063,325)	(5,343,100)	(7,082,865)	(8,546,902)
Total non-current assets	3,921,118	5,156,112	6,962,572	8,667,309
Total non-current liabilities	(2,439,772)	(2,547,769)	(2,803,396)	(2,756,552)
Net assets	3,518,758	4,017,800	4,458,588	4,886,942

(ii) Summarised statements of comprehensive income

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Nine months ended 30 September 2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	8,610,786	9,339,101	11,409,404	7,330,125
Profit after tax expenses	305,932	425,125	494,004	311,109
Other comprehensive income/(loss)	9,323	(94,465)	(29,577)	26,421

(iii) Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the interest in an associate is set out below:

	31 December 2012	31 December 2013	31 December 2014	30 September 2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Opening net assets	3,430,252	3,518,758	4,017,800	4,458,588
Profit for the year/period	305,932	425,125	494,004	311,109
Other comprehensive income/(loss)	9,323	(94,465)	(29,577)	26,421
Others	(226,749)	168,382	(23,639)	90,824
Closing net assets	3,518,758	4,017,800	4,458,588	4,886,942
Attributable to:				
– owners of the associate	3,104,475	3,390,910	3,642,802	3,736,167
– other equity instruments – perpetual debt	–	–	–	311,437
– non-controlling interests	414,283	626,890	815,786	839,338
	3,518,758	4,017,800	4,458,588	4,886,942

	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest in an associate (31 December 2013: 22.75%; 31 December 2014: 22.67%; 30 September 2015: 22.58%)	–	771,432	825,822	843,626
Fair value adjustments	–	230,692	222,249	215,915
Goodwill	–	308,744	308,744	308,744
	–	1,310,868	1,356,815	1,368,285

(d) On 19 December 2012, CIMC's B shares changed listing location from Shenzhen Stock Exchange to Hong Kong Stock Exchange through the way of introduction. Henceforth, all CIMC's B shares converted to overseas listed foreign shares (H shares). As at 31 December 2012, 2013 and 2014 and 30 September 2015, CIMC's A shares were listed on Shenzhen Stock Exchange and H shares were listed on Hong Kong Stock Exchange.

10 SHARE CAPITAL

Long Honour Group and Long Honour

	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Issued and fully paid:				
1 ordinary share of US$1	–	–	–	–

11 RESERVES

Long Honour Group

Other reserve comprises share of statutory reserve of an associate which is created in accordance with the terms of the agreements of the associate established. In accordance with the Company Law in PRC and the Articles of Association of the associate, the associate should appropriate 10% of net profit for the year to the statutory surplus reserve, and the associate can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital.

Long Honour

	Investment revaluation reserve	Retained profits	Total reserves
	US$'000	*US$'000*	*US$'000*
At 1 January 2012	25,937	8,283	34,220
Profit for the year	–	1,734	1,734
Fair value gain on available-for-sale financial asset	9,606	–	9,606
Dividends *(Note 18)*	–	(6,877)	(6,877)
At 31 December 2012	35,543	3,140	38,683

	Investment revaluation reserve	Retained profits	Total reserves
	US$'000	*US$'000*	*US$'000*
At 1 January 2013	35,543	3,140	38,683
Profit for the year	–	710	710
Fair value gain on available-for-sale financial asset	15,153	–	15,153
At 31 December 2013	50,696	3,850	54,546
At 1 January 2014	50,696	3,850	54,546
Profit for the year	–	984	984
Fair value gain on available-for-sale financial asset	2,416	–	2,416
At 31 December 2014	53,112	4,834	57,946
At 1 January 2015	53,112	4,834	57,946
Profit for the period	–	1,197	1,197
Fair value loss on available-for-sale financial asset	(11,828)	–	(11,828)
At 30 September 2015	41,284	6,031	47,315

12 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by each of the balance sheet dates.

The analysis of deferred income tax liabilities in respect of the withholding tax on unremitted retained earnings of an associate is as follows:

	Long Honour Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred income tax liabilities:				
– to be settled more than 12 months	–	31,415	38,168	40,945
– to be settled within 12 months	–	–	–	–
	–	31,415	38,168	40,945

The movements in deferred income tax liabilities during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 are as follows:

	Long Honour Group			
	31 December			30 September
	2012	2013	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of the year/period	–	–	31,415	38,168
Acquisition of an associate	–	27,552	–	–
Charged to consolidated income statement *(Note 14)*	–	3,863	6,753	2,777
At end of the year/period	–	31,415	38,168	40,945

13 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Exchange gain/(loss)	78	267	(127)	(56)	(740)
Gain on deemed disposal of available-for-sale financial asset *(Note 9(a))*	–	36,672	–	–	–
Others	–	(338)	(2)	(3)	(7)
	78	36,601	(129)	(59)	(747)

14 INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Current income tax					
– China mainland taxation	184	2,270	2,654	2,654	3,070
Deferred income tax *(Note 12)*	–	3,863	6,753	3,540	2,777
	184	6,133	9,407	6,194	5,847

For the years ended 31 December 2012, 2013 and 2014 and for the nine months ended 30 September 2014 and 2015, no Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the relevant year/period.

China mainland taxation represents withholding tax which was provided at the rate of 10% on the Long Honour Group's dividend income derived from a Mainland China incorporated enterprise.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit before income tax	1,918	95,839	84,465	54,583	59,611
Less:					
– share of profits of an associate	–	(59,293)	(83,206)	(53,578)	(55,769)
– gains on dilution of investment in an associate	–	–	(1,379)	(1,055)	(4,576)
	1,918	36,546	(120)	(50)	(734)
Aggregate tax at domestic rates applicable to profits in respective territories concerned	316	6,030	(20)	(8)	(121)
Income not subject to income tax	(317)	(6,103)	(2)	(2)	(3)
Expenses not deductible for income tax purposes	1	73	22	10	124
Withholding tax on dividend income	184	2,270	2,654	2,654	3,070
Withholding tax on undistributed profits of an associate in PRC	–	3,863	6,753	3,540	2,777
Income tax expenses	184	6,133	9,407	6,194	5,847

There was no income tax relating to components of other comprehensive income for the Relevant Periods.

15 BALANCE WITH A SUBSIDIARY

Balance with a subsidiary is unsecured, interest free, denominated in US dollar and is not expected to be repaid in the foreseeable future.

16 AMOUNTS WITH IMMEDIATE HOLDING COMPANY AND A SUBSIDIARY

Amounts with immediate holding company and a subsidiary are unsecured, interest free, denominated in US dollar and repayable on demand.

17 FINANCE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Interest income from bank and other receivables	1	16	10	10	16

18 DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Final 2012, 2013, 2014 and 2015, paid, of US$6,877,367, US$Nil, US$Nil and US$Nil, respectively, per share	6,877	–	–	–	–

19 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

20 DIRECTORS' REMUNERATION

No directors received any fees or emoluments in respect of their services rendered to Long Honour during the Relevant Periods. Long Honour did not appoint chief executive, and the duty of chief executive was performed by director.

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to cash (used in)/generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Profit before income tax	1,918	95,839	84,465	54,583	59,611
Interest income	(1)	(16)	(10)	(10)	(16)
Net foreign exchange (gain)/loss	(78)	(261)	136	66	(98)
Dividend income	(1,842)	–	–	–	–
Gain on deemed disposal of available-for-sale financial asset	–	(36,672)	–	–	–
Gains on dilution of investment in an associate	–	–	(1,379)	(1,055)	(4,576)
Share of profits of an associate	–	(59,293)	(83,206)	(53,578)	(55,769)
Operating loss before working capital changes	(3)	(403)	6	6	(848)
Increase/(decrease) in accruals	2	–	–	–	(3)
Cash (used in)/generated from operations	(1)	(403)	6	6	(851)

(b) Non-cash transaction

In 2013, purchase price of US$1,219,788,000 in respect of the acquisition of an associate was paid by the immediate holding company on behalf of Long Honour through current accounts between Long Honour and the immediate holding company.

22 RELATED PARTY TRANSACTIONS

The Long Honour Group is controlled by COSCO (Hong Kong) which owns 100% of Long Honour's shares. The parent company of COSCO (Hong Kong) is COSCO.

COSCO is controlled by the PRC Government. The PRC Government is Long Honour's ultimate controlling party. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government ("state-owned enterprises"), together with COSCO and its group companies, other government related entities and their subsidiaries, other entities and subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which Long Honour is able to control or exercise significant influence and key management personnel of Long Honour and COSCO as well as their close family members, are also defined as related parties of the Long Honour Group.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed. Other than those disclosed elsewhere in the Financial Information, there were no other related party transactions being carried out between the Group and its related parties during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2014 and 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Long Honour or any of its subsidiaries in respect of any period subsequent to 30 September 2015 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Long Honour or any of its subsidiaries in respect of any period subsequent to 30 September 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Reference is made to the section headed "Waivers from Strict Compliance with the Listing Rules – I. Waiver in Relation to Disclosure of Financial Information of CBHB", pursuant to which, the Company will include alternative disclosures of the financial information of CBHB as one of the conditions to the waiver granted by the Stock Exchange. The following provides the publicly available financial information of CBHB as extracted from the website of CBHB (for the three financial years ended 31 December 2012, 2013 and 2014) and the website of China Central Depository & Clearing Co., Ltd. (the nine months ended 30 September 2015) and the corresponding management discussion and analysis for the relevant periods.

China Bohai Bank Co., Ltd.
Summary of Annual Report 2012

1. Important Notes

1.1 The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of the Bank guarantee that the *Annual Report 2012* contains no fraudulent disclosures, misleading statements or major omissions, and agree to be individually and jointly responsible for the authenticity, accuracy and completeness of the report. The summary is abstracted from the full-text of *Annual Report 2012* of the Bank, and investors are advised to refer to the full-text of the annual report for details.

1.2 The *Annual Report 2012* of the Bank was reviewed and approved at the 3rd Meeting of the Third Board of Directors and the 2nd Meeting of the Third Board of Supervisors of the Bank on 19 April 2012. On the same date, the 23rd Meeting of the General Meeting of Shareholders considered and approved the profit distribution plan proposing not paying dividends for 2012 temporarily.

1.3 Legal Representative of the Bank and Chairman of the Board of Directors Liu Baofeng, President Zhao Shigang, Vice President and Chief Financial Officer Guo Jinli and General Manager of the Finance Department Fan Weiying, guarantee the authenticity, accuracy and completeness of the financial statements disclosed in the *Annual Report 2012* of the Bank.

1.4 The 2012 Financial Statements of the Bank have been audited by PwC Zhong Tian CPAs Limited Company in accordance with China Standards on Auditing and International Standards on Auditing respectively, and standard unqualified audit reports have been issued.

1.5 Unless otherwise specified, financial data and indicators in the Summary of Annual Report are denominated in Renminbi (RMB).

2. Corporate Information

2.1 Basic information

Legal name and abbreviation in Chinese: 渤海银行股份有限公司（渤海银行）

Legal name and abbreviation in English: China Bohai Bank Co., Ltd. (CBHB)

Legal Representative: Liu Baofeng

Corporate business license number: 100000000040065

Address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Website: http://www.cbhb.com.cn

Postcode: 300204

2.2 Contact information

Secretary to the Board of Directors: Sun Liguo

Address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Telephone: (86) 22-5831 6666

Fax: (86) 22-5831 6528

Postcode: 300204

2.3 Locations where copies of the Annual Report are kept

Board's Office and major outlets of the Bank

The Summary of Annual Report is available on the Bank's website and published in *Financial News.*

2.4 Accounting firm for the annual audit

Accounting firm engaged by the Bank: PwC Zhong Tian CPAs Limited Company

Address: 11th Floor, PwC Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

CPAs signed the Auditor's Report: Zhu Yu, Han Song

3. Financial Highlights

3.1 Major accounting data and financial indicators

(Unit: RMB1,000)

Item	2012 Audited (PRC GAAP)	2012 Audited (IFRS)	2011 (audited, PRC GAAP)	Increase/ Decrease (%) (audited, PRC GAAP)	2010 (audited, PRC GAAP)
Operating results:					
Operating income	9,459,710	9,462,728	6,419,155	47.37	3,939,606
Operating profit	4,404,306	4,403,497	2,438,154	80.64	1,071,835
Net income before tax	4,403,497	4,403,497	2,464,780	78.66	1,090,689
Net profit	3,339,190	3,339,190	1,837,501	81.72	777,809
Net profit attributable to shareholders	3,339,190	3,339,190	1,837,501	81.72	777,809
Net profit attributable to shareholders after extraordinary items	3,339,797	3,339,190	1,817,532	83.75	763,669
Net cash flows from operating activities	46,694,727	46,694,727	4,058,511	1,050.54	50,319,001
Per share data (in RMB yuan):					
Basic earnings per share attributable to shareholders	0.24	0.24	0.15	60.00	0.09
Diluted earnings per share attributable to shareholders	0.24	0.24	0.15	60.00	0.09
Basic earnings per share attributable to shareholders after extraordinary items	0.24	0.24	0.15	60.00	0.09
Diluted earnings per share attributable to shareholders after extraordinary items	0.24	0.24	0.15	60.00	0.09
Net cash flows per share from operating activities	3.37	3.37	0.29	1,062.69	5.92
Financial ratios (%):					
Return on average total assets attributable to shareholders	0.85	0.85	0.64	Increase of 0.21 percentage point	0.41
Fully diluted ROE attributable to shareholders	16.85	16.85	11.13	Increase of 5.72 percentage points	8.26
Return on weighted average equity attributable to shareholders	18.38	18.38	13.11	Increase of 5.27 percentage points	8.84
Fully diluted ROE attributable to shareholders after extraordinary items	16.86	16.85	11.01	Increase of 5.85 percentage points	8.11
Return on weighted average equity attributable to shareholders after extraordinary items	18.38	18.38	12.97	Increase of 5.41 percentage points	8.68

Item	31 December 2012		31 December 2011(audited, PRC GAAP)	Increase/ Decrease (%) (audited, PRC GAAP)	31 December 2010(audited, PRC GAAP)
	Audited (PRC GAAP)	Audited (IFRS)			
Scale:					
Total assets	472,102,071	472,102,071	312,488,473	51.08	265,085,563
Total loans and advances	141,478,689	141,478,689	112,546,636	25.71	92,431,963
-Corporate loans	117,189,688	117,189,688	96,025,948	22.04	79,438,253
-Discounted bills	4,658,705	4,658,705	1,765,128	163.93	1,788,717
-Personal loans	19,630,296	19,630,296	14,755,560	33.04	11,204,993
Allowance for impairment losses	2,621,553	2,621,553	1,915,133	36.89	1,399,925
Total liabilities	452,289,904	452,289,904	295,979,657	52.81	255,669,881
Customer deposits	213,420,715	213,420,715	162,043,421	31.71	134,318,495
-Demand	89,915,052	89,915,052	74,519,952	20.66	78,563,144
-Time	123,505,663	123,505,663	87,523,469	41.11	55,684,948
Placements from banks and other financial institutions	13,481,043	13,481,043	2,383,500	465.60	4,545,653
Equity attributable to shareholders	19,812,167	19,812,167	16,508,816	20.01	9,415,682
Net assets per share attributable to shareholders (in RMB yuan)	1.43	1.43	1.19	20.17	1.11
Total share capital	13,855,000	13,855,000	13,855,000	-	8,500,000

3.2 Supplementary financial indicators

(Unit: %)

Item	2012	2011	2010
Profitability:			
Net interest spread	1.91	1.98	1.97
Net interest margin	2.11	2.17	2.08
Cost-to-income ratio	38.58	44.64	51.17
Item	31 December 2012	31 December 2011	31 December 2010
Asset quality:			
NPL ratio	0.14	0.14	0.11
Allowance for impairment losses on loans to non-performing loans	1,304.48	1,227.50	1,398.05
Allowance for impairment losses on loans to total loans	1.85	1.70	1.51
Capital adequacy:			
Capital adequacy ratio	11.68	11.77	10.91
Core capital adequacy ratio	9.63	9.52	8.00
Leverage ratio	3.51	4.02	2.96

Item		31 December 2012	31 December 2011	31 December 2010
Other indicators:				
Liquidity ratio	RMB	44.26	39.26	35.01
	Foreign currencies equivalent to RMB	42.81	219.07	35.11
	RMB and foreign currencies	44.19	39.57	35.01
Loan-to-deposit ratio	RMB	64.24	68.02	66.19
	Foreign currencies equivalent to RMB	152.80	41.13	241.59
	RMB and foreign currencies	65.19	67.74	66.62
Percentage of loans to single largest borrower		5.87	6.55	8.01
Percentage of loans to top 10 borrowers		47.04	43.94	53.45
Percentage of interbank borrowing and lending (RMB)	Percentage of inter-bank borrowing	1.95	1.37	3.38
	Percentage of inter-bank lending	2.50	1.09	4.88

Note: 1. The Bank's net capital was RMB23,865 million as of the end of 2012;

2. Percentage of loans to single largest borrower and percentage of loans to top 10 borrowers were proportions of the borrowers' loan balances to net capital.

3.3 Extraordinary items and corresponding amount

(Unit: RMB1,000)

Extraordinary item	2012	2011	2010
Non-operating income	3,018	67,677	22,811
Non-operating expenses	3,827	41,051	3,957
Net non-operating income	-809	26,626	18,854
Less: Effects of extraordinary gain/loss on income tax	-202	6,657	4,714
Total	-607	19,969	14,140

3.4 Differences in the financial accounting pursuant to the PRC GAAP and the IFRS

There was no difference regarding the net profit of 2012 and the net assets as of 31 December 2012 presented in the Financial Statements of the Bank prepared pursuant to the PRC GAAP and the IFRS respectively.

4. Changes in Share Capital and Shareholders

4.1 Changes in shares and Shareholders

4.1.1 Number of Shareholders and particulars of shareholding

As of the release date of the Annual Report, the Bank had 7 Shareholders. Changes of their shareholdings in the Bank in 2012 are as follows:

Shareholder	31 December 2011		Increase/ Decrease in 2012 (+/-) (share)	31 December 2012	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
TEDA Investment Holding Co., Ltd.	2,125,000,000	25.00	-	2,125,000,000	25.00
Standard Chartered Bank (Hong Kong) Limited	1,699,150,000	19.99	-	1,699,150,000	19.99
China Ocean Shipping (Group) Company	1,161,950,000	13.67	-	1,161,950,000	13.67
State Development & Investment Corporation	991,950,000	11.67	-	991,950,000	11.67
Baosteel Group Corporation	991,950,000	11.67	-	991,950,000	11.67
Tianjin Trust Co., Ltd.	850,000,000	10.00	-	850,000,000	10.00
Tianjin Shanghui Investment (Holding) Co., Ltd.	680,000,000	8.00	-	680,000,000	8.00
Total	8,500,000,000	100.00	-	8,500,000,000	100.00

Note: 1. Tianjin Trust Co., Ltd. invests in the Bank with funds raised through collective funds trust;

2. The Bank launched its second capital increase in 2011. Except that RMB595 million subscribed by Tianjin Trust Co., Ltd. would be paid upon satisfaction of regulatory requirements on capital increase, subscriptions by the other Shareholders have been paid in within 2011. As at the end of 2012, total shares subscribed amounted to RMB14,450 million and the paid-in amount was RMB13,855 million. The capital increase would be completed upon the approval of CBRC and the registration change with State Administration for Industry & Commerce. Consequently, the registered capital of the Bank was still RMB8,500 million as at the end of 2012.

4.1.2 Changes in shares

The changes in shares of the Bank in 2012 are as follows:

	31 December 2011		Increase/Decrease in 2012 (+/-) (share)			31 December 2012	
	Number of shares	Percentage (%)	New shares	Others	Subtotal	Number of shares	Percentage (%)
State-owned shares	-	-	-	-	-	-	-
Shares held by state-owned legal persons	5,270,850,000	62.01	-	-	-	5,270,850,000	62.01
Shares held by other domestic investors	1,530,000,000	18.00	-	-	-	1,530,000,000	18.00
Shares held by foreign investors	1,699,150,000	19.99	-	-	-	1,699,150,000	19.99
Total	8,500,000,000	100.00	-	-	-	8,500,000,000	100.00

Note: "Shares held by other domestic investors" include shares held by Tianjin Trust Co., Ltd. (investing in the Bank with funds raised through collective funds trust) and Tianjin Shanghui Investment (Holding) Co., Ltd.

4.1.3 Associations between Shareholders, share transfer, share pledges, share custody and frozen shares

In 2012, there was no association between the 7 Shareholders of the Bank. Neither were any shares transferred, pledged, frozen or kept in custody.

4.1.4 Controlling shareholder, de facto controller and employee shares

In 2012, the Bank had no controlling shareholder, de facto controller or employee shares.

4.2 Issuance of subordinated bonds in 2012

With the *Approval for the Issuance of Subordinated Bonds of China Bohai Bank* (Y.J.F. [2012] No.115) from CBRC and the Administrative Approval (Y.SH.CH.X.ZH.Y.Z. [2012] No.43) from PBOC, the Bank successfully issued the "2012 Subordinated Bonds of China Bohai Bank Co., Ltd." in the National Interbank Bond Market on 20 July 2012. Two kinds of subordinated bonds were issued under the bookbuilding procedure, with a total amount of RMB1.9 billion. Specifically, for that with a 10-year term and an annual coupon rate of 5.5% (abbreviated as "12 Bohai Bank Bond 01" and coded as "1224001"), an amount of RMB950 million was issued with a redemption right exercisable at the end of the fifth year; for that with a 15-year term and an annual coupon rate of 5.68% (abbreviated as "12 Bohai Bank Bond 02" and coded as "1224002"), an amount of RMB950 million was issued with a redemption right exercisable at the end of the tenth year.

5. Directors, Supervisors and Senior Executives

5.1 Basic information of Directors, Supervisors and Senior Executives from the beginning of 2012 to the release date of the annual report

Name	Title	Gender	Date of birth	Term of office
Liu Baofeng	Chairman	Female	Nov. 1954	6 Feb. 2009 - 4 Feb. 2016
Fung, Joi Lun Alan	Vice Chairman	Male	Apr. 1948	16 Aug. 2010 - 4 Feb. 2016
Zhang Bingjun	Director	Male	Aug. 1963	5 Feb. 2013 - 4 Feb. 2016
Shen Xiaolin	Director	Male	Jul. 1967	21 Mar. 2012 - 4 Feb. 2016
Ma Zehua	Director	Male	Jan. 1953	21 Mar. 2012 - 4 Feb. 2016
Huang Yanxun	Director	Male	Oct. 1963	21 Mar. 2012 - 4 Feb. 2016
Wang Chengran	Director	Male	Apr. 1959	6 Jan. 2010 - 4 Feb. 2016
Zhang Yunji	Director	Male	Aug. 1954	6 Feb. 2009 - 4 Feb. 2016
Zhao Shigang	Director, President	Male	Mar. 1955	6 Feb. 2009 - 4 Feb. 2016
Zhang Shiming	Director	Male	Sept. 1953	6 Feb. 2009 - 4 Feb. 2016
	Vice President			18 Jul. 2007 - 4 Feb. 2016
Wong Li Foon	Director, Vice President	Female	Oct. 1967	6 Feb. 2009 - 4 Feb. 2016
Zhang Junxi	Independent Director	Male	Aug. 1963	5 Feb. 2013 - 4 Feb. 2016
Zhu Yuanliang	Independent Director	Male	Jan. 1945	6 Feb. 2009 - 4 Feb. 2016
Nan Jingming	Independent Director	Male	Feb. 1951	5 Feb. 2013 - 4 Feb. 2016
Wang Weisheng	Employee Supervisor, Chairman of the Board of Supervisors	Male	Mar. 1955	5 Feb. 2013 - 4 Feb. 2016
Fan Zhenrong	Supervisor	Male	Aug. 1947	23 Apr. 2008 - 4 Feb. 2016
Zhang Jiaxing	External Supervisor	Male	Sept. 1952	29 Jul. 2009 - 4 Feb. 2016
Han Ping	External Supervisor	Female	Jan. 1950	5 Feb. 2013 - 4 Feb. 2016
Chang Guangwei	Employee Supervisor	Male	Aug. 1971	5 Feb. 2013 - 4 Feb. 2016
Guo Jinli	Vice President	Male	Jun. 1963	16 Dec. 2009 - 4 Feb. 2016
	Chief Financial Officer			29 Jul. 2009 - 4 Feb. 2016

Name	Title	Gender	Date of birth	Term of office
Li Yi	Vice President	Male	Dec. 1967	16 Dec. 2009 - 4 Feb. 2016
	Chief Risk Officer			5 Aug. 2009 - 4 Feb. 2016
Sun Liguo	Vice President	Male	Dec. 1963	16 Dec. 2009 - 4 Feb. 2016
	Secretary to the Board of Directors			22 Dec. 2005 - 4 Feb. 2016
Xing Jihai	Director	Male	Apr. 1952	6 Feb. 2009 - 21 Mar. 2012
Zhang Fusheng	Director	Male	Mar. 1950	22 Dec. 2005 - 21 Mar. 2012
Lv Yimin	Director	Male	Jan. 1962	24 Jul. 2007 - 21 Mar. 2012
Liu Huiwen	Director	Male	Dec. 1954	22 Dec. 2005 - 5 Feb. 2013
Xu Feng	Independent Director	Male	Jul. 1951	6 Feb. 2009 - 5 Feb. 2013
Tian Ruizhang	Independent Director	Male	Jun. 1944	24 Jul. 2007 - 5 Feb. 2013
Zhang Hua	Employee Supervisor, Chairman of the Board of Supervisors	Male	Mar. 1952	7 Dec. 2007 - 5 Feb. 2013
Wang Shengjia	External Supervisor	Male	Jan. 1945	22 Dec. 2005 - 5 Feb. 2013
Wu Siqi	Employee Supervisor	Male	Feb. 1965	7 Dec. 2007 - 5 Feb. 2013

Note: Qualifications of Zhang Bingjun, Zhang Junxi, Nan Jingming and Wang Weisheng are subject to the approval of the regulator.

5.2 Remuneration of Directors, Supervisors and Senior Executives

The Bank keeps improving remuneration management and performance evaluation of Directors, Supervisors and Senior Executives in accordance with relevant policies of the local and central government. Remuneration policies adopted by the Bank are submitted to and reviewed by the Nomination & Remuneration Committee of the Board of Directors and the Board of Directors of the Bank. As at the end of 2012, 25 Directors, Supervisors and Senior Executives received a total pre-tax remuneration of RMB14.81 million from the Bank, among which, total pre-tax remuneration of Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other Senior Executives in tenure received from the Bank in 2012 is part of their annual remuneration. Their full remuneration is subject to the approval of competent authority and will be disclosed when determined.

6. Report of the Board of Directors

6.1 Management discussion and analysis

6.1.1 Business performance

Businesses maintained sound development. As at the end of 2012, the Bank recorded total assets of RMB472,102 million, an increase of 51.08% over the beginning of the year, of which total loans stood at RMB141,479 million, a rise of 25.71%; placements with banks and other financial institutions and assets purchased under resale agreements totaled RMB151,705 million, a rise of 59.94%; and investments and other financial assets amounted to RMB109,457 million, a rise of 85.97%. Total liabilities were RMB452,290 million, a rise of 52.81% over the beginning of the year, of which total deposits stood at RMB213,421 million, a rise of 31.71% and due to banks and other financial institutions totaled RMB112,507 million, a rise of 106.66% over the beginning of the year.

Profitability increased remarkably. In 2012, the Bank's operating income increased by 47.37% year-on-year to RMB9,460 million, net fee and commission income rose by 98.75% year-on-year to RMB1,777 million, while cost-to-income ratio declined by 6.06 percentage points to 38.58%. The Bank generated a net profit of RMB3,339 million, an increase of 81.72% over 2011.

Asset quality remained stable. As at the end of 2012, the balance of the Bank's NPLs was RMB200.97 million, an increase of RMB44.95 million over the beginning of the year, with the NPL ratio remained at 0.14%. Provisions for loan losses were sufficient. The Bank has set aside allowance of RMB2,622 million for impairment losses on loans, including RMB707 million appropriated in 2012. Allowance for impairment losses on loans to total loans ratio was 1.85% and allowance for impairment losses on loans to NPLs ratio was 1,304.48%. Allowance for impairment losses on investment receivables was RMB165 million. Asset quality and provisions maintained at a good level.

Performance improved prominently. As at the end of 2012, the Bank's net profits increased by 81.72% over 2011, illustrating a strong growth momentum. Return on weighted average equity increased by 5.27 percentage points, signifying an improvement of profitability.

6.1.2 Items of the income statement

6.1.2.1 Changes in the items of the income statement

In 2012, the Bank achieved net income before tax of RMB4,403 million, representing an increase of 78.66%, and generated a net profit of RMB3,339 million, up 81.72% over 2011. The growth was primarily attributed to the higher increase in operating income than the increase in operating expenses.

The Bank reaped an operating income of RMB9,460 million in 2012, representing a year-on-year increase of 47.37%, which was mainly attributable to the considerable growth of net interest income, net fee and commission income.

The following table lists the changes in major items of the Bank's income statement for the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Operating income	9,459,710	6,419,155	47.37
Incl.: Net interest income	7,546,204	5,625,851	34.13
Net fee and commission income	1,777,060	894,129	98.75
Net (loss)/gain on investments	-14,945	15,491	-196.48
Net gain/(loss) on changes of fair value	112,320	-106,387	205.58
Foreign exchange gain/(loss)	39,071	-9,929	493.50
Operating expenses	5,055,404	3,981,001	26.99
Incl.: Business tax and surcharges	636,702	431,111	47.69
General and administrative expenses	3,649,424	2,865,730	27.35
Impairment losses on assets	722,859	663,638	8.92
Other operating expenses	46,419	20,522	126.19
Net non-operating income	-809	26,626	-103.04
Net income before tax	4,403,497	2,464,780	78.66
Less: Income tax expense	1,064,307	627,279	69.67
Net profit	3,339,190	1,837,501	81.72

6.1.2.2 Net interest income

The Bank recorded a net interest income of RMB7,546 million in 2012, a year-on-year increase of 34.13%.

6.1.2.2.1 Interest income

In 2012, the Bank achieved an interest income of RMB20,535 million, a year-on-year increase of 47.94%, of which interest income from loans and advances was RMB8,889 million, a year-on-year increase of 31.96%; and interest income from assets purchased under resale agreement was RMB4,563 million, a year-on-year increase of 16.52%.

The table below sets forth the composition of the Bank's interest income in the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Interest income from due from banks and other financial institutions	262,964	78,706	234.11
Interest income from deposits with PBOC	573,487	400,160	43.31
Interest income from placements with banks and other financial institutions	1,282,662	324,607	295.14
Interest income from loans and advances	8,889,028	6,736,202	31.96
Incl.: Interest income from corporate loans and advances	7,379,469	5,663,184	30.31
Interest income from personal loans	1,099,468	779,075	41.12
Interest income from discounted bills	410,091	293,943	39.51
Interest income from assets purchased under resale agreements	4,563,059	3,916,086	16.52
Interest income from securities investments	915,704	605,026	51.35
Interest income from investment receivables	4,048,438	1,819,609	122.49
Total interest income	20,535,342	13,880,396	47.94

Interest income from loans and advances

In 2012, the Bank achieved an interest income from loans and advances of RMB8,889 million, a year-on-year increase of 31.96%, which was primarily attributable to the greater increase in the average balance of loans and advances and the increase in average rate of return of loans and advances compared with the previous year.

The table below sets forth the average balance and average rate of return of loans and advances for the periods indicated:

(Unit RMB1,000)

Item	2012			2011		
	Average balance	Interest income	Average rate of return (%)	Average balance	Interest income	Average rate of return (%)
Corporate loans and discounted bills	111,706,600	7,789,560	6.97	91,758,524	5,957,127	6.49
Personal loans	16,212,028	1,099,468	6.78	13,044,195	779,075	5.97
Total loans and advances	127,918,628	8,889,028	6.95	104,802,719	6,736,202	6.43

Interest income from deposits with PBOC, due from and placements with banks and other financial institutions, and assets purchased under resale agreements

In 2012, the Bank achieved an interest income from deposits with PBOC, due from and placements with banks and other financial institutions of RMB2,119 million, a year-on-year increase of 163.74%; an interest income from assets purchased under resale agreements of RMB4,563 million, a year-on-year increase of 16.52%.

Interest income from securities investment and investment receivables

In 2012, the Bank generated an interest income from securities investment of RMB916 million, a year-on-year increase of 51.35%; an interest income from investment receivables of RMB4,048 million, a year-on-year increase of 122.49%.

6.1.2.2.2 Interest expenses

In 2012, the Bank recorded interest expenses of RMB12,989 million, a year-on-year increase of 57.36%.

The table below sets forth the composition of the Bank's interest expenses for the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Interest expenses on due to banks and other financial institutions	4,249,060	2,789,329	52.33
Interest expenses on placements from banks and other financial institutions	288,363	178,660	61.40
Interest expenses on customer deposits	4,614,539	3,123,406	47.74
Interest expenses on assets sold under repurchase agreements	3,460,142	1,929,250	79.35
Interest expenses on debt securities in issue	167,731	120,267	39.47
Other interest expenses	209,303	113,633	84.19
Total interest expenses	12,989,138	8,254,545	57.36

Interest expenses on customer deposits

The Bank recorded interest expenses on customer deposits of RMB4,615 million in 2012, an increase of 47.74% over 2011.

The table below sets forth the average balance and average cost ratio of the Bank's corporate and personal deposits for the periods indicated:

(Unit: RMB1,000)

Item	2012			2011		
	Average balance	Interest expenses	Average cost ratio (%)	Average balance	Interest expenses	Average cost ratio (%)
Corporate deposits	167,447,759	4,176,723	2.49	135,986,939	2,910,851	2.14
Incl.: Demand	73,997,060	851,824	1.15	61,403,412	750,703	1.22
Time	93,450,699	3,324,899	3.56	74,583,527	2,160,148	2.90
Deposits from individuals	16,168,912	437,816	2.71	10,921,790	212,555	1.95
Incl.: Demand	5,148,934	28,893	0.56	3,681,222	17,954	0.49
Time	11,019,978	408,923	3.71	7,240,568	194,601	2.69
Total customer deposits	183,616,671	4,614,539	2.51	146,908,729	3,123,406	2.13

Interest expenses on placements from and due to banks and other financial institutions and assets sold under repurchase agreements

In 2012, the Bank's interest expenses on placements from and due to banks and other financial institutions amounted to RMB4,537 million, a year-on-year increase of 52.88%. Interest expenses on assets sold under repurchase agreements was RMB3,460 million, a year-on-year increase of 79.35%, with its proportion increased from 23.37% to 26.64%.

Interest expenses on debt securities in issue

The Bank recorded interest expenses on debt securities in issue of RMB168 million in 2012, an increase of RMB47 million over 2011.

6.1.2.2.3 Net interest spread and net interest margin

In 2012, the Bank's net interest spread was 1.91%, declined by 0.07 percentage point; and net interest margin was 2.11%, declined by 0.06 percentage point over 2011.

6.1.2.3 Net fee and commission income

The Bank's net fee and commission income increased by 98.75% to RMB1,777 million in 2012, mainly due to the remarkable growth of fee income from fiduciary, custodian and agent services, increased by 145.06%, 164.00% and 141.49% respectively.

The table below sets forth the components of the Bank's net fee and commission income for the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Fee and commission income	1,862,557	968,773	92.26
Incl.: Fiduciary service fee	415,843	169,689	145.06
Custodian service fee	388,738	147,250	164.00
Consulting service fee	442,425	254,882	73.58
Settlement and clearing fee	124,281	129,930	-4.35
Commission income on agent service	250,149	103,587	141.49
Credit commitment commission and capital service fee	138,331	147,567	-6.26
Bank card fee	21,716	6,748	221.81
Others	81,074	9,120	788.97
Fee and commission expenses	85,497	74,644	14.54
Incl.: Agent service expenses	35,434	40,298	-12.07
Settlement expenses	21,095	21,386	-1.36
Bank card expenses	16,003	6,121	161.44
Others	12,965	6,839	89.57
Net fee and commission income	1,777,060	894,129	98.75

6.1.2.4 Net gain on investments

The table below sets forth the major components of the Bank's net gain on investments for the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Trading financial assets	-314	-2,884	89.11
Available-for-sale investments	15,454	-3,457	547.04
Derivative financial instruments	-30,179	21,740	-238.82
Others	94	92	2.17
Total	-14,945	15,491	-196.48

6.1.2.5 General and administrative expenses

The Bank's general and administrative expenses reached RMB3,649 million in 2012, an increase of 27.35% over 2011.

The table below sets forth the major components of the Bank's general and administrative expenses for the periods indicated:

(Unit: RMB1,000)

Item	2012	2011	Increase/ Decrease (%)
Staff costs	2,111,444	1,538,563	37.23
Business expenses	1,056,828	910,150	16.12
Depreciation and amortization	217,534	226,105	-3.79
Operating lease	263,618	190,912	38.08
Total	3,649,424	2,865,730	27.35

6.1.2.6 Impairment losses on assets

The Bank prudently sets aside allowance for impairment losses on assets in strict compliance with regulatory requirements. The Bank set aside allowance of RMB723 million for impairment losses on assets in 2012, increased by 8.92% over the previous year, of which, allowance for impairment losses on loans and advances was RMB707 million, and allowance for impairment losses on investment receivables was RMB16 million.

6.1.2.7 Income tax expense

The Bank's income tax expense was RMB1,064 million, increased by 69.67% over the previous year, with an effective tax rate of 24.17%. The increase of income tax expense was primarily attributed to the rapid growth of net operating income.

6.1.3 Items of the balance sheet

6.1.3.1 Asset items

The Bank's total assets were RMB472,102 million as at the end of 2012, an increase of 51.08% over the year-beginning. The growth was primarily attributed to the increase of loans, assets purchased under resale agreements and investment receivables.

6.1.3.1.1 Loans and advances

The Bank's loans and advances amounted to RMB141,479 million as at the end of 2012, an increase of RMB28,932 million or 25.71% over the year-beginning. The increase was mainly attributed to: first, the Bank selectively targeted at customers and actively penetrated the four emerging credit markets, namely the advanced manufacturing industry, strategic emerging industry, modern service industry and creative industry; second, it attached great importance to the expansion of loans to Micro and Small-sized Enterprises and developed the standardized product of "Mirco-Credit Express"; third, it broadened the business fields for trade financing; and fourth, it adhered to serving the real economy and allocating credit resources effectively.

The table below sets forth the Bank's loans and advances by type on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate loans and advances	117,189,688	82.83	96,025,948	85.32	22.04
Discounted bills	4,658,705	3.29	1,765,128	1.57	163.93
Personal loans and advances	19,630,296	13.88	14,755,560	13.11	33.04
Total loans and advances	141,478,689	100.00	112,546,636	100.00	25.71

6.1.3.1.2 Placements with banks and other financial institutions and assets purchased under resale agreements

The Bank's total placements with banks and other financial institutions and assets purchased under resale agreements amounted to RMB151,705 million as at the end of 2012, increased by RMB56,854 million or 59.94% over the year-beginning, of which assets purchased under resale agreements increased by 91.74%.

The table below sets forth the composition of the bank's placements with banks and other financial institutions on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Placements with other domestic banks	6,621,573	70.13	17,145,006	83.01	-61.38
Placements with other domestic non-banking financial institutions	2,820,000	29.87	3,510,000	16.99	-19.66
Subtotal	9,441,573	100.00	20,655,006	100.00	-54.29
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	9,441,573	100.00	20,655,006	100.00	-54.29

The table below sets forth the particulars about the Bank's assets purchased under resale agreements on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Bills					
Incl.: Bank acceptances	96,604,486	67.90	73,163,860	98.61	32.04
Commercial acceptances	1,107,387	0.78	1,032,020	1.39	7.30
Beneficiary rights	31,889,640	22.42	-	-	-
Wealth management investment products	5,800,000	4.08	-	-	-
Bonds	6,861,500	4.82	-	-	-
Subtotal	142,263,013	100.00	74,195,880	100.00	91.74
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	142,263,013	100.00	74,195,880	100.00	91.74

Note: 1. The beneficiary rights bought by the Bank are capital management products such as trust plans etc. designed by trust investment and other institutions. And financial institutions have commitments on forward unconditional repurchase of the beneficiary rights under resale agreements.

2. The wealth management investment products bought by the Bank are fixed-term wealth management products issued by other banks. And banking institutions have commitments on forward repurchase at fixed interest rate and price.

6.1.3.1.3 Investments and other financial assets

The Bank's investments and other financial assets reached RMB109,457 million as at the end of 2012, an increase of 85.97% over the year-beginning, of which trading financial assets increased by 622.14%, derivative financial assets increased by 201.11% and investment receivables increased by 117.49%.

The table below sets forth the composition of the Bank's investments and other financial assets on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Trading financial assets	2,994,739	2.74	414,706	0.70	622.14
Derivative financial assets	80,319	0.07	26,674	0.05	201.11
Available-for-sale investments	10,437,106	9.54	8,779,271	14.92	18.88
Held-to-maturity investments	17,217,500	15.73	13,438,011	22.83	28.13
Investment receivables	78,727,478	71.92	36,198,101	61.50	117.49
Total	109,457,142	100.00	58,856,763	100.00	85.97

6.1.3.1.4 Top 10 government bonds held by the Bank as at the end of 2012

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
11 Interest-bearing treasury bonds 13	2,040,000	3.26	2014-06-02
12 Interest-bearing treasury bonds 05	1,540,000	3.41	2019-03-08
12 Interest-bearing treasury bonds 02	1,500,000	2.87	2013-02-08
11 Interest-bearing treasury bonds 25	1,000,000	2.82	2014-12-08
11 Interest-bearing treasury bonds 07	790,000	3.22	2014-03-10
09 Interest-bearing treasury bonds 19	500,000	3.17	2016-08-20
11 Interest-bearing treasury bonds 04	500,000	3.60	2016-02-17
11 Interest-bearing treasury bonds 22	500,000	3.55	2016-10-20
12 Interest-bearing treasury bonds 17	500,000	3.10	2015-09-13
12 Interest-bearing treasury bonds 16	410,000	3.25	2019-09-06

6.1.3.1.5 Top 10 financial bonds held by the Bank as at the end of 2012

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
11 CDB 25	2,000,000	3.65	2016-04-19
10 EIBC 08	1,500,000	2.77	2013-09-21
12 CDB 19	1,100,000	3.93	2015-04-23
08 SDB bonds (fixed)	1,000,000	6.10	2018-03-21
10 CDB 23	1,000,000	2.68	2013-08-24
11 CDB 07	1,000,000	3.85	2021-02-17
10 EIBC 06	800,000	3.25	2015-08-25
11 CDB 50	800,000	4.10	2014-09-01
11 EIBC 05	680,000	3.80	2014-04-07
03 CDB 02	500,000	4.17	2013-03-31

6.1.3.1.6 Financial derivatives trading

The Bank's financial derivatives trading business mainly includes interest rate swaps, foreign exchange forwards and foreign exchange swaps. In 2012, the Bank actively hedged against the risk exposure of transactions with derivative financial instruments, and managed its asset & liability portfolios and structured positions through derivatives trading. The Bank's derivative financial assets increased considerably and derivative financial liabilities declined compared with the year-beginning. The reasons for the changes were: first, the increase of transaction volume of the Bank's derivative products such as interest rate swaps; second, the dramatic change in fair value of derivative products caused by the drastic fluctuations of market price.

The contractual amount and fair value of outstanding derivative financial instruments held by the Bank as at the end of 2012 are as follows:

(Unit: RMB1,000)

Item	31 December 2012			31 December 2011		
	Contractual/ Notional amount	Fair value		Contractual/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Incl.: Currency swaps	4,368,671	5,889	-29,250	131,357	3,944	-
Currency forwards	498,750	2,184	-1,641	837,094	13,770	-12,346
Interest rate derivatives						
Incl.: Interest rate swaps	43,985,071	72,246	-56,952	15,151,062	8,960	-124,642
Total	48,852,492	80,319	-87,843	16,119,513	26,674	-136,988

6.1.3.1.7 Items related to fair value measurement

In 2012, the Bank revised the *Administrative Measures for Valuation and Verification of the Fair Value of Financial Products*, and adopted the China Bond Valuation to valuate RMB-denominated bonds. The Bank prudently valuated the fair value of financial products in strict compliance with relevant provisions and the scope specified by the *Accounting Standards for Business Enterprises.* The valuation model (such as discounted cash flow model) has been regularly assessed and verified by qualified professionals who are independent of the model designers.

(Unit: RMB1,000)

Item	31 December 2011	Gain/loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2012	31 December 2012
Financial assets	9,220,651	63,175	-47,785	-	13,512,164
Incl.: 1. Financial assets at fair value through profit or loss	441,380	63,175	-	-	3,075,058
Incl.: Derivative financial assets	26,674	53,645	-	-	80,319
2. Available-for-sale financial assets	8,779,271	-	-47,785	-	10,437,106
Financial liabilities	2,331,686	-49,145	-	-	4,173,831
Incl.: Others (subordinated bonds)	2,194,698	-	-	-	4,085,988
Derivative financial liabilities	136,988	-49,145	-	-	87,843

The table below sets forth the foreign currency financial assets and liabilities of the Bank:

(Unit: RMB1,000)

Item	31 December 2011	Gain/loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2012	31 December 2012
Financial assets	17,714	-9,641	-	-	8,073
Incl.:1. Financial assets at fair value through profit or loss	17,714	-9,641	-	-	8,073
Incl.: Derivative financial assets	17,714	-9,641	-	-	8,073
2. Loans and receivables	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-
Financial liabilities	12,346	18,545	-	-	30,891

6.1.3.2 Liability items

The Bank's total liabilities reached RMB452,290 million as at the end of 2012, an increase of 52.81% over the year-beginning. The remarkable growth was primarily attributed to the increase of due to banks and other financial institutions, assets sold under repurchase agreements and customer deposits.

6.1.3.2.1 Customer deposits

The Bank's customer deposits were RMB213,421 million as at the end of 2012, an increase of RMB51,377 million or 31.71% over the year-beginning. The growth was mainly attributed to the following reasons: firstly, the Bank pushed forward joint development of wholesale, retail and financial market businesses; secondly, it fully capitalized on structured deposits and wealth management products to propel the rapid growth of savings deposits, organized a series of brand promotion and marketing activities to actively attract high-end customers, and progressively formed a customer structure with stable customer base of medium and high-end customers.

The table below sets forth the Bank's customer deposits by customer type and product type on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate deposits	193,467,858	90.65	148,682,690	91.75	30.12
Incl.: Demand	83,539,214	39.14	69,437,198	42.85	20.31
Time	109,928,644	51.51	79,245,492	48.90	38.72
Deposits from individuals	19,952,857	9.35	13,360,731	8.25	49.34
Incl.: Demand	6,375,838	2.99	5,082,754	3.14	25.44
Time	13,577,019	6.36	8,277,977	5.11	64.01
Total	213,420,715	100.00	162,043,421	100.00	31.71

The table below sets forth the Bank's customer deposits by currency on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
RMB	211,083,183	98.90	160,767,835	99.21	31.30
Foreign currencies equivalent to RMB	2,337,532	1.10	1,275,586	0.79	83.25
Total	213,420,715	100.00	162,043,421	100.00	31.71

The table below sets forth the Bank's customer deposits by residual maturity on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand (Spot)	87,966,527	41.22	72,150,209	44.52
Less than 1 month	19,963,085	9.35	14,179,332	8.75
1 month to 3 months	26,930,132	12.62	21,129,483	13.04
3 months to 1 year	49,726,110	23.30	43,381,578	26.77
1 year to 3 years	17,688,035	8.29	3,039,669	1.88
Over 3 years	11,146,826	5.22	8,163,150	5.04
Total	213,420,715	100.00	162,043,421	100.00

6.1.3.2.2 Assets sold under repurchase agreements

The table below sets forth the particulars about the Bank's assets sold under repurchase agreements on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012		31 December 2011		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Discounted bills	91,270,407	96.16	66,896,711	97.13	36.43
Bonds	3,645,000	3.84	1,975,000	2.87	84.56
-Bonds issued by financial institutions	2,055,000	2.17	1,485,000	2.16	38.38
-Bonds issued by government	1,590,000	1.67	490,000	0.71	224.49
-Bills issued by PBOC	-	-	-	-	-
-Bonds issued by corporations	-	-	-	-	-
Total	94,915,407	100.00	68,871,711	100.00	37.81

6.1.3.3 Shareholders' equity

The shareholders' equity of the Bank was RMB19,812 million as at the end of 2012, an increase of RMB3,303 million or 20.01% over the year-beginning, which was mainly attributed to the considerable increase of net profit of the Bank.

The table below sets forth the composition of the shareholders' equity of the Bank on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012	31 December 2011	31 December 2010
Share capital	13,855,000	13,855,000	8,500,000
Capital surplus	2,140	37,979	1,346
Surplus reserve	617,103	283,184	99,434
General reserve for risk assets	2,865,107	1,870,060	678,902
Retained profits	2,472,817	462,593	136,000
Total	19,812,167	16,508,816	9,415,682

6.1.3.4 Off-balance-sheet items that might impose material impact on financial status and operating performance of the Bank

The table below sets forth the balance of the Bank's major off-balance-sheet items on the dates indicated:

(Unit: RMB1,000)

Item	31 December 2012	31 December 2011
Bank acceptances	62,861,522	50,655,006
Letters of credit issued	12,752,856	7,240,264
Letters of guarantee issued	11,920,791	4,805,838
Irrevocable loan commitments	1,915,609	2,751,513
Arrangement of trade financing on behalf of customers	-	26,757,702
Operating lease commitments	1,961,309	1,746,168
Capital commitments	1,763,951	2,128,828

6.1.3.5 Market share of major products and services

According to the Statements of Income & Expenses of Bank Credit released by PBOC in December 2012, the Bank's market share among China's 12 national joint-stock commercial banks in terms of deposits and loans as at the end of 2012 is shown below:

Item	Market share (%)
Total deposits	1.40
Incl.: Total savings deposits	0.62
Total loans	1.29

6.1.4 Items of cash flow statement

In 2012, the Bank's net cash inflow from operating activities, net cash outflow from investing activities and net cash inflow from financing activities were RMB46,695 million, RMB44,075 million and RMB1,771 million respectively. The year-end balance of cash and cash equivalents were RMB40,585 million.

6.1.5 Other financial information

6.1.5.1 Changes in interest receivables on and off the balance sheet and bad debt provisions for loan interest receivables and other receivables

6.1.5.1.1 Changes in the interest receivables on balance sheet

(Unit: RMB1,000)

Item	Balance on 1 January 2012	Increase in 2012	Recovery in 2012	Balance on 31 December 2012
On-balance-sheet interest receivables	1,669,537	19,947,317	18,762,250	2,854,604

6.1.5.1.2 Changes in the interest receivables off balance sheet

(Unit: RMB1,000)

Item	Balance on 1 January 2012	Increase in 2012	Recovery in 2012	Balance on 31 December 2012
Off-balance-sheet interest receivables	28,026	43,486	9,659	61,853

6.1.5.1.3 Bad debt provisions

The Bank did not set aside any bad debt provisions for interest receivables of loans or other receivables. The balance of the Bank's bad debt provision was zero at the end of 2012.

6.1.5.2 Foreclosed assets

The Bank had no foreclosed assets in 2012.

6.1.5.3 Allowance for impairment losses on assets

The Bank set aside allowance for impairment losses on credit assets and partial investments in 2012.

6.1.5.4 Overdue debt

The Bank had no overdue debt at the end of 2012.

6.1.6 Capital adequacy ratio (CAR)

(Unit: RMB1,000)

Item	31 December 2012	31 December 2011	31 December 2010
Core capital:	19,713,936	16,555,294	9,289,374
Share capital	13,855,000	13,855,000	8,500,000
Reserves	5,858,936	2,700,294	789,374
Minority shareholders' equity	-	-	-
Supplementary capital:	6,700,895	3,943,137	3,394,778
General provisions for impairment losses on loans	2,516,676	1,736,454	1,200,747
Long-term subordinated bonds	4,085,988	2,194,698	2,194,031
Other supplementary capital	98,231	11,985	-
Total capital base before deductions	26,414,831	20,498,431	12,684,152
Deductions:	2,550,000	50,000	50,000
Goodwill	-	-	-
Unconsolidated equity investments	50,000	50,000	50,000
Others	2,500,000	-	-
Net capital	23,864,831	20,448,431	12,634,152
Net core capital	19,688,936	16,530,294	9,264,374
Risk-weighted assets and market risk assets adjustment	204,367,689	173,705,273	115,847,634
Capital adequacy ratio (%)	11.68	11.77	10.91
Core capital adequacy ratio (%)	9.63	9.52	8.00

Note: 1. The Bank calculates capital adequacy ratio and core capital adequacy ratio according to the *Rules Governing Capital Management of Commercial Banks* issued by CBRC.

2. In accordance with the *Rules Governing Capital Management of Commercial Banks*, reserves include recognizable parts of capital surplus and retained profits as well as surplus reserve and general reserve for risk assets; unconsolidated equity investment shall be deducted by 100% and 50% respectively when calculating net capital and net core capital.

3. "Deductions-others" in the table refers to subordinated bonds issued by other commercial banks held by the Bank.

6.1.7 Leverage ratio

(Unit: RMB1,000)

Item	31 December 2012	31 December 2011
Tier-one capital	19,713,936	16,555,294
Deductions of tier-one capital	25,000	25,000
Total on and off-balance-sheet assets after adjustment	561,654,656	411,532,693
Incl.: Total on-balance-sheet assets after adjustment	472,021,752	312,417,506
Total off-balance-sheet assets after adjustment	89,632,904	99,115,187
Leverage ratio (%)	3.51	4.02

Note: The Bank managed, measured and disclosed leverage ratio according to the *Rules Governing Leverage Ratio of Commercial Banks* issued by CBRC and other relevant requirements.

6.1.8 Loan quality analysis

6.1.8.1 Distribution of loans by the five-category classification

(Unit: RMB1,000)

Category	31 December 2012		31 December 2011		31 December 2010	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Normal	139,640,044	98.70	110,928,378	98.56	90,327,592	97.72
Special-mention	1,637,680	1.16	1,462,239	1.30	2,004,237	2.17
NPLs	200,965	0.14	156,019	0.14	100,134	0.11
Incl.: Substandard	139,292	0.10	59,376	0.05	85,124	0.09
Doubtful	3,563	0.00	21,809	0.02	52	0.00
Loss	58,110	0.04	74,834	0.07	14,958	0.02
Total	141,478,689	100.00	112,546,636	100.00	92,431,963	100.00

Note: 1. The loans above include the balance of discounted bills.
2. The proportion of doubtful loans was 0.003% at the end of 2012 and 0.0001% at the end of 2010.

6.1.8.2 Loan migration

(Unit: %)

Item	31 December 2012	31 December 2011	31 December 2010
Normal loan migration ratio	1.27	1.87	0.17
Special-mention loan migration ratio	0.24	0.16	2.32
Substandard loan migration ratio	-	47.26	12.70
Doubtful loan migration ratio	-	100.00	-

6.1.8.3 Distribution of loans and NPLs by product

(Unit: RMB1,000)

Category	31 December 2012				31 December 2011			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	117,189,688	82.83	167,254	0.14	96,025,948	85.32	137,743	0.14
Incl.: Short-term corporate loans	75,487,010	53.35	163,389	0.22	50,517,513	44.89	91,928	0.18
Medium and long-term corporate loans	41,702,678	29.48	3,865	0.01	45,508,435	40.43	45,815	0.10
Discounted bills	4,658,705	3.29	5,497	0.12	1,765,128	1.57	5,000	0.28
Incl.: Bank acceptances	3,486,288	2.46	-	-	634,926	0.56	-	-
Commercial acceptances	1,172,417	0.83	5,497	0.47	1,130,202	1.01	5,000	0.44
Personal loans	19,630,296	13.88	28,214	0.14	14,755,560	13.11	13,276	0.09
Incl.: Personal housing loans	7,645,806	5.41	22,753	0.30	8,431,904	7.49	11,658	0.14
Personal auto loans	253,712	0.18	60	0.02	400,927	0.36	60	0.01
Personal operating loans	9,058,874	6.40	4,725	0.05	5,045,439	4.48	228	0.00
Others	2,671,904	1.89	676	0.03	877,290	0.78	1,330	0.15
Total	141,478,689	100.00	200,965	0.14	112,546,636	100.00	156,019	0.14

Note: The NPL ratio of personal operating loans was 0.0045% at the end of 2011.

6.1.8.4 Distribution of corporate loans and NPLs by industry

(Unit: RMB1,000)

Category	31 December 2012				31 December 2011			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	35,370,436	25.00	89,479	0.25	30,500,388	27.10	93,833	0.31
Water, environment and public facilities management	10,312,501	7.29	-	-	11,645,027	10.35	-	-
Wholesale and retail	19,143,165	13.53	76,628	0.40	11,031,333	9.80	2,446	0.02
Lease, commerce and business services	16,849,657	11.91	-	-	10,863,039	9.65	-	-
Real estate	7,484,154	5.29	-	-	8,246,862	7.33	15,616	0.19
Construction	6,124,511	4.33	182	0.00	8,042,837	7.15	182	0.00
Transportations and communications, storage and post	5,591,125	3.95	568	0.01	5,569,784	4.95	25,269	0.45
Mining	6,197,097	4.38	-	-	4,516,800	4.01	-	-
Culture, sports and entertainment	282,080	0.20	-	-	-	-	-	-
Public management and social organization	1,487,500	1.05	-	-	-	-	-	-
Production and supply of electricity, gas and water	4,239,522	3.00	-	-	2,955,865	2.63	-	-
Information transfer, IT services and software	803,242	0.57	127	0.02	766,812	0.68	127	0.02
Farming, forestry, livestock and fishery	954,300	0.67	-	-	308,000	0.27	-	-
Accommodation and restaurants	1,357,052	0.96	37	0.00	316,567	0.28	37	0.01
Resident services and other services	439,033	0.31	233	0.05	556,223	0.49	233	0.04
Others	554,313	0.39	-	-	706,411	0.63	-	-
Total corporate loans	117,189,688	82.83	167,254	0.14	96,025,948	85.32	137,743	0.14

Note: 1. Percentage means proportion of loans to each industry.

2. The NPL ratio of loans to accommodation and restaurants industry was 0.0027% at the end of 2012.

3. The NPL ratio of loans to construction industry was 0.003% at the end of 2012 and 0.0023% at the end of 2011.

6.1.8.5 Distribution of loans and NPLs by region

(Unit: RMB1,000)

Category	31 December 2012				31 December 2011			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Northern China and Northeastern China	73,829,939	52.18	18,872	0.03	60,946,082	54.15	56,299	0.09
Eastern China	39,775,157	28.11	181,848	0.46	34,258,502	30.44	99,539	0.29
Central China and Southern China	19,924,652	14.08	245	0.00	10,842,383	9.63	-	-
Western China	7,948,941	5.63	-	-	6,499,669	5.78	181	0.00
Total	141,478,689	100.00	200,965	0.14	112,546,636	100.00	156,019	0.14

Note: 1. The regions are classified as follows:

Northern China and Northeastern China: Beijing, Tianjin, Hebei, Shanxi and Liaoning;

Eastern China: Shanghai, Jiangsu, Zhejiang and Shandong;

Central China and Southern China: Hu'nan and Guangdong;

Western China: Chongqing and Sichuan.

2. The NPL ratio of Central China and Southern China was 0.0012% at the end of 2012.

3. The NPL ratio of Western China was 0.0028% at the end of 2011.

6.1.8.6 Distribution of loans and NPLs by guarantee type

(Unit: RMB1,000)

Category	31 December 2012				31 December 2011			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Mortgage loans	40,427,682	28.58	82,929	0.21	28,714,354	25.51	28,860	0.10
Pledged loans	21,770,302	15.39	-	-	9,629,932	8.56	-	-
Guaranteed loans	49,210,114	34.78	111,863	0.23	41,533,508	36.90	127,127	0.31
Unsecured loans	25,411,886	17.96	676	0.00	30,903,714	27.46	32	0.00
Discounted bills	4,658,705	3.29	5,497	0.12	1,765,128	1.57	-	-
Total	141,478,689	100.00	200,965	0.14	112,546,636	100.00	156,019	0.14

Note: The NPL ratio of unsecured loans was 0.0027% at the end of 2012 and 0.0001% at the end of 2011.

6.1.8.7 Distribution of loans by overdue period

The balance of the Bank's overdue loans was RMB420.03 million at the end of 2012, an increase of RMB258.87 million over the year-beginning.

(Unit: RMB1,000)

Category	31 December 2012		31 December 2011	
	Loans	Percentage (%)	Loans	Percentage (%)
Overdue for less than 3 months	202,161	0.14	44,894	0.04
Overdue for 3 months-1 year	160,000	0.11	82,164	0.07
Overdue for 1-3 years	50,483	0.04	30,067	0.03
Overdue for more than 3 years	7,383	0.01	4,036	0.00
Total overdue loans	420,027	0.30	161,161	0.14
Total Loans	141,478,689	100.00	112,546,636	100.00

Note: The percentage of loans overdue for more than 3 years was 0.004% at the end of 2011.

6.1.8.8 Loans to top 10 single borrowers

(Unit: RMB1,000)

Borrower	Industry	31 December 2012			
		Loans	NPLs	Proportion in net capital (%)	Proportion in total loans (%)
Customer A	Lease, commerce and business services	1,400,000	-	5.87	1.02
Customer B	Real estate	1,290,000	-	5.41	0.94
Customer C	Real estate	1,200,000	-	5.03	0.88
Customer D	Water, environment and public facilities management	1,200,000	-	5.03	0.88
Customer E	Lease, commerce and business services	1,150,000	-	4.82	0.84
Customer F	Lease, commerce and business services	1,100,000	-	4.61	0.80
Customer G	Wholesale and retail	1,000,000	-	4.19	0.73
Customer H	Transportations and communications, storage and post	1,000,000	-	4.19	0.73
Customer I	Lease, commerce and business services	955,797	-	4.00	0.70
Customer J	Transportations and communications, storage and post	929,250	-	3.89	0.68
Total	-	11,225,047	-	47.04	8.20

Note: The loans above exclude the balance of discounted bills.

6.1.8.9 Restructured loans

Restructured loans refer to the loans rescheduled to accommodate borrowers' deteriorating financial situation or inability to repay loans. The Bank had restructured loans of RMB15.9 million at the end of 2012.

6.1.8.10 Discount loans

The Bank had no discount loans in 2012.

6.1.8.11 Risk management of credits to group customers

The Bank attached great importance to the risk management of credits to group customers and further enhanced risk management capability in 2012. The Bank strengthened risk identification and control of the credits, avoided uncertainties incurred from complicated equity structure and diversified operation; strictly reviewed the authenticity of credit background and the credibility of repayment sources to prevent enterprises from whitewashing financial statements or transferring funds through illegal connected transactions; improved judgment on development prospect of the group customer, released credit to the core enterprises and core businesses of such group, prevented embezzlement, long-term utilization of short-term loans and credit repurposed for other projects or operations of the group. The Bank made in-depth analysis of each group on business scale, growth potential, risk tolerance and existing credits from other banks, rationally set credit limit for each group based on the capital scale and risk tolerance of the Bank, so as to avoid risks arising from over concentration of credits; and established the early warning mechanism for collecting and analyzing customer information and intensifying monitoring, timely warned against risks and took countermeasures.

6.1.8.12 Allowance for impairment losses on loans

The Bank sets aside allowance for impairment losses by individual assessment and collective assessment.

Individual assessment is conducted on each large-value credit if there is evidence that the impairment losses have arisen. The Bank identifies individual impairment losses through risk classification, early warning and other approaches. For determining the exact amount of allowance, the Bank assesses the losses on each credit for which allowance is required to be set aside individually on the issue date of the balance sheet. In the assessment, the Bank generally estimates the recoverable cash flow in terms of the borrower's financial condition, disposal of collateral and pledge, compensations by the warrantor or other parties. Meanwhile, the Bank discounts the recoverable cash to the present value by an appropriate discount rate, finally sets the difference between the estimated present value and the book value as the allowance for impairment losses on the credit.

For the small-value credit or the credit on which there is no evidence that the impairment losses have arisen, the Bank conducts collective assessment to determine the allowance. An elementary instrument for collective assessment is the Expected Loss Model, which is shaped by making collective classification based on industries, products, and risk level as well as setting essential adjustment parameters in light of current macro-economic situations, changes of state policies and credit risk management of the Bank.

At the end of 2012, the Bank's allowance for impairment losses on loans to NPLs ratio was 1,304.48%; allowance for impairment losses on loans was RMB2,622 million, an increase of RMB707 million over the year-beginning. The Bank did not write off any bad debt in 2012.

(Unit: RMB1,000)

Item	2012	2011	2010
Balance at the year-beginning	1,915,133	1,399,925	840,203
Accrued in the year	706,502	515,412	559,797
Written off in the year	-	-	-
Movement due to foreign exchange rate fluctuation	-82	-204	-75
Balance at the year-end	2,621,553	1,915,133	1,399,925

(Unit: RMB1,000)

Allowance for impairment losses on loans	2012	2011	2010
Individual assessment	65,313	76,555	20,658
Incl.: Corporate loans	65,313	76,555	20,658
Personal loans	-	-	-
Collective assessment	2,556,240	1,838,578	1,379,267
Incl.: Corporate loans	2,320,676	1,701,351	1,268,251
Personal loans	235,564	137,227	111,016
Total	2,621,553	1,915,133	1,399,925

6.2 Equity investment

6.2.1 Use of raised capital

In 2012, the Bank successfully issued RMB1.9 billion worth of subordinated bonds, with all funds raised replenishing the supplementary capital. By the end of 2012, the use of raised capital had been consistent with the original plan, further enhanced capital strength and risk resistance of the Bank.

The Bank did not use any raised capital for equity investment in 2012.

6.2.2 Use of non-raised capital

The Bank did not use any non-raised capital for equity investment in 2012.

6.2.3 Shareholding in listed companies and financial institutions

6.2.3.1 Shareholding in listed companies

The Bank did not hold any shares of listed companies in 2012.

6.2.3.2 Shareholding in financial institutions

(Unit：RMB1,000)

Company	Initial investment	At the beginning of 2012		At the end of 2012		Book value at the end of 2012	Gain/ loss in 2012	Change in owner's equity in 2012	Accounting item	Source
		Number of shares held (Amount in 10,000 shares)	Share - holding percentage	Number of shares held (Amount in 10,000 shares)	Share - holding percentage					
China UnionPay Co., Ltd.	150,000	6,000	2.05%	6,000	2.05%	150,000	2,100	-	Available-for-sale investments	Investment
Nanyang Country Bank Co., Ltd.	50,000	5,000	10.00%	5,000	10.00%	50,000	-	-	Available-for-sale investments	Investment

6.3 2012 Profit Distribution Plan

On 19 April 2013, the 23rd Meeting of the General Meeting of Shareholders passed a resolution on the appropriation of RMB333,919,000, 10% of the net profit on the 2012 financial statements (audited PRC GAPP), to the statutory surplus reserve, and the appropriation of RMB995,047,000 to the general reserve for risk assets. No discretionary surplus reserve was provided for 2012 and no dividends would be distributed for 2012 temporarily.

6.4 Cash dividends for the previous three years

(Unit: RMB1,000)

Item	2011	2010	2009
Cash dividends (pre-tax)	-	136,000	80,000
Net profit	1,837,501	777,809	256,443
Ratio of cash dividends (pre-tax) to net profit (%)	-	17.49	31.20

6.5 Other issues requiring disclosure

The Bank had no other information to disclose in 2012.

7. Significant Events

7.1 Major litigation and arbitration

The Bank had no major litigation or arbitration which had significant impact on the operation and management of the Bank in 2012.

7.2 Purchase & disposal of assets and merger

The Bank did not purchase or dispose any material assets or go through any merger in 2012.

7.3 Equity incentive plan

The Bank did not implement any equity incentive plan in 2012.

7.4 Material related party transactions

At the end of 2012, credits to related parties reached RMB1,578.4201 million, all of which were categorized as "normal". Of the credit balance, there were 5 material related party transactions with a total balance of RMB1,544 million.

As at the end of 2012, customer loans guaranteed by the Bank's related parties totaled RMB1,372 million; deposits from related parties having material transactions with the Bank totaled RMB285 million; foreign currency funds of the Bank deposited in the related parties totaled RMB174 million equivalent.

7.5 Execution of major contracts

7.5.1 Material custody, subcontract and lease

The Bank had no material custody, subcontract or lease in 2012.

7.5.2 Material guarantee

The Bank had no material guarantee that need be disclosed in 2012.

7.5.3 Other major contracts

7.5.3.1 Business Complex Project of the Head Office

The 18th Meeting of the General Meeting of Shareholders approved the project with an estimated investment of RMB2,812 million, including land cost of RMB740 million and construction cost of RMB2,072 million, with a total building area of 187,000 square meters, including the overground construction area of 137,000 square meters and underground construction area of 50,000 square meters.

By the end of 2012, the general contractor, China Construction Eighth Engineering Division Corporation Ltd. had completed the construction of underground and overground podiums, 34 storeys of the main tower and 24 storeys of the steel-work.

As at the end of 2012, a total of RMB1,206.4539 million was expended on the project, with RMB230.582 million expended in 2012.

7.5.3.2 Service Center Project of the Head Office

The 9th Meeting of the Second Board of Directors approved the construction project of the Service Center of the Head Office, with a total investment of RMB372 million and a building area of 60,000 square meters.

As at the end of 2012, the project construction was under completion acceptance process. The accumulative expense was RMB269.1414 million, including RMB155.5861 million expended in 2012.

7.6 Shareholder's commitments

In the second capital increase of the Bank, the seven Shareholders of the Bank presented the letters of commitments for full subscription in October 2010. Except RMB595 million subscribed by Tianjin Trust Co., Ltd. to be paid upon satisfaction of regulatory requirements, subscriptions by the other Shareholders were fully paid as scheduled in 2011. The six Shareholders had honored their subscription commitments. In 2012, Tianjin Trust Co., Ltd. made great efforts to honor its subscription commitment.

The Shareholders of the Bank made no commitment in 2012.

7.7 Capital taken up by controlling shareholders and other related parties

The Bank had no controlling shareholders. Neither had it any capital taken up by other related parties.

The external auditor of the Bank had issued the *Statement on Capital Taken up by Controlling Shareholders and Other Related Parties of China Bohai Bank Co., Ltd.*

7.8 Appointment or replacement of the accounting firm

In 2012, according to the resolutions of the General Meeting of Shareholders, the Bank continued to engage PwC Zhong Tian CPAs Limited Company to audit the Bank's 2012 Financial Statements and Notes prepared in accordance with PRC GAAP and IFRS respectively.

7.9 Penalties imposed on the Bank and its Directors, Supervisors and Senior Executives

In 2012, no penalties with significant impacts on operation and management were imposed on the Bank by regulators. None of the Directors, Supervisors or Senior Executives was penalized.

7.10 Other major events

7.10.1 Qualifications obtained

On 31 May 2012, the Bank was qualified as the banking agent for the centralized fiscal payment project of Tianjin Binhai New Area in an open bid, being the only joint-stock commercial bank in Tianjin obtaining the qualification.

On 30 October 2012, PBOC issued the *Reply of the People's Bank of China on Review of Technical Standards Compliance and System Security for Issuance of Financial IC Debit Cards of China Bohai Bank*, holding that the system for issuing financial IC debit cards (including the electronic cash function of the primary account) of the Bank met the requirements for financial IC card issuance in terms of technical standards and system security.

On 19 December 2012, the Bank was examined and qualified as financing guarantee bank and fund supervision bank for the trust loans of social housing project in Hu'nan Province by the National Council for Social Security Fund and the Hu'nan Provincial Government.

7.10.2 Approval for opening branch

7.10.2.1 Tier-one branch

On 24 October 2012, the CBRC Hebei Office issued the *Approval for the Opening of Shijiazhuang Branch of China Bohai Bank Co., Ltd. and Qualifications of its Senior Executives* (Y.J.J.J.F. [2012] No.406). Address of Shijiazhuang Branch: Floor 1-3, 18 Zhonghua South Avenue, Shijiazhuang, Hebei Province.

7.10.2.2 Tier-two branch

On 9 April 2012, the CBRC Guangdong Office issued the *Approval for the Opening of Dongguan Branch of China Bohai Bank* (Y.Y.J.F. [2012] No.240). Address of Dongguan Branch: No.101, No.119-124, No.201-211, No.223-247, Shangshu Mall, 100 Hongfu Road, Nancheng District, Dongguan, Guangdong Province.

On 25 October 2012, the CBRC Jiangsu Office issued the *Approval for the Opening of Wuxi Branch of China Bohai Bank Co., Ltd.* (S.Y.J.F. [2012] No.640). Address of Wuxi Branch: Floor 1-3, Block C, Times International Mansion, 557 Yunhe East Road, Nanchang District, Wuxi, Jiangsu Province.

8. Financial Statements

8.1 Audit opinion

The 2012 financial statements of the Bank have been audited by PwC Zhong Tian CPAs Limited Company in accordance with the China Standards on Auditing and International Standards on Auditing respectively, and standard unqualified audit reports were issued.

8.2 The balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement of the Bank

BALANCE SHEET AS AT 31 DECEMBER 2012

(Amount in thousands of Renminbi, unless otherwise stated)

ASSETS	31 December 2012	31 December 2011
Cash and balances with Central Bank	51,192,823	37,276,012
Due from banks and other financial institutions	14,854,425	6,645,292
Placements with banks and other financial institutions	9,441,573	20,655,006
Trading financial assets	2,994,739	414,706
Derivative financial assets	80,319	26,674
Assets purchased under resale agreements	142,263,013	74,195,880
Interest receivable	2,854,604	1,669,537
Loans and advances to customers	138,857,136	110,631,503
Available-for-sale investments	10,437,106	8,779,271
Held-to-maturity investments	17,217,500	13,438,011
Investment receivables	78,727,478	36,198,101
Fixed assets	1,721,230	1,285,618
Intangible assets	591,009	603,871
Deferred income tax assets	509,472	329,311
Other assets	359,644	339,680
TOTAL ASSETS	472,102,071	312,488,473

BALANCE SHEET AS AT 31 DECEMBER 2012 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2012	31 December 2011
Liabilities		
Due to banks and other financial institutions	112,506,567	54,440,844
Placements from banks and other financial institutions	13,481,043	2,383,500
Derivative financial liabilities	87,843	136,988
Assets sold under repurchase agreements	94,915,407	68,871,711
Customer deposits	213,420,715	162,043,421
Tax payable	488,663	401,523
Interest payable	4,291,901	2,435,047
Provisions	60,410	57,838
Debt securities in issue	4,085,988	2,194,698
Other liabilities	8,951,367	3,014,087
Total Liabilities	452,289,904	295,979,657
Shareholders' Equity		
Share capital	13,855,000	13,855,000
Capital surplus	2,140	37,979
Surplus reserve	617,103	283,184
General reserve for risk assets	2,865,107	1,870,060
Retained profits	2,472,817	462,593
Total Shareholders' Equity	19,812,167	16,508,816
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	472,102,071	312,488,473

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amount in thousands of Renminbi, unless otherwise stated)

Item	2012	2011
Operating income		
Interest income	20,535,342	13,880,396
Interest expense	(12,989,138)	(8,254,545)
Net interest income	7,546,204	5,625,851
Fee and commission income	1,862,557	968,773
Fee and commission expense	(85,497)	(74,644)
Net fee and commission income	1,777,060	894,129
Net (loss)/gain on investments	(14,945)	15,491
Net gain/(loss) on changes of fair value	112,320	(106,387)
Foreign exchange gain/(loss)	39,071	(9,929)
Operating income	9,459,710	6,419,155
Operating expense		
Business tax and surcharge	(636,702)	(431,111)
General and administrative expense	(3,649,424)	(2,865,730)
Impairment loss on assets	(722,859)	(663,638)
Other operating expense	(46,419)	(20,522)
Operating expense	(5,055,404)	(3,981,001)
Non-operating income		
Non-operating income	3,018	67,677
Non-operating expense	(3,827)	(41,051)
Net non-operating income	(809)	26,626
Net income before tax	4,403,497	2,464,780
Income tax	(1,064,307)	(627,279)
Net income after tax	3,339,190	1,837,501
Other comprehensive income	(35,839)	36,633
Total comprehensive income for the year	3,303,351	1,874,134
Earnings per share (expressed in RMB per share)		
-Basic earnings per share	0.24	0.15
-Diluted earnings per share	0.24	0.15

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amount in thousands of Renminbi, unless otherwise stated)

	Share capital	Capital surplus	Surplus reserve	General reserve for risk assets	Retained profits	Total
At 1 January 2012	13,855,000	37,979	283,184	1,870,060	462,593	16,508,816
Net profit	-	-	-	-	3,339,190	3,339,190
Other comprehensive income	-	(35,839)	-	-	-	(35,839)
Total comprehensive income for the year	-	(35,839)	-	-	3,339,190	3,303,351
Capital contribution	-	-	-	-	-	-
Dividend appropriation	-	-	-	-	-	-
Appropriation to statutory surplus reserve	-	-	333,919	-	(333,919)	-
Appropriation to general reserve for risk assets	-	-	-	995,047	(995,047)	-
At 31 December 2012	13,855,000	2,140	617,103	2,865,107	2,472,817	19,812,167
At 1 January 2011	8,500,000	1,346	99,434	678,902	136,000	9,415,682
Net profit	-	-	-	-	1,837,501	1,837,501
Other comprehensive income	-	36,633	-	-	-	36,633
Total comprehensive income for the year	-	36,633	-	-	1,837,501	1,874,134
Capital contribution	5,355,000	-	-	-	-	5,355,000
Dividend appropriation	-	-	-	-	(136,000)	(136,000)
Appropriation to statutory surplus reserve	-	-	183,750	-	(183,750)	-
Appropriation to general reserve for risk assets	-	-	-	1,191,158	(1,191,158)	-
At 31 December 2011	13,855,000	37,979	283,184	1,870,060	462,593	16,508,816

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amount in thousands of Renminbi, unless otherwise stated)

Item	2012	2011
1. Cash flows from operating activities		
Net increase/(decrease) in due to banks and other financial institutions	58,065,723	(12,411,757)
Net increase in customer deposits	51,377,294	27,724,926
Net increase in assets sold under repurchase agreements	26,043,696	23,142,605
Interest, fee and commission received	16,592,301	12,018,842
Net increase/(decrease) in due to banks and other financial institutions	11,097,543	(2,162,153)
Net decrease/(increase) in placements with banks and other financial institutions	9,726,700	(11,773,086)
Tax concessions received	-	72,809
Cash received relating to other operating activities	5,734,276	2,298,194
Sub-total of cash inflows	178,637,533	38,910,380
Net (increase)/decrease in purchased assets under resale agreements	(76,698,437)	9,885,205
Net increase in loans and advances to customers	(28,932,053)	(20,114,877)
Interest, fee and commission paid	(11,097,190)	(7,000,772)
Net increase in balances with Central Bank and due from banks and other financial institutions	(7,628,670)	(13,887,672)
Net (increase)/decrease in trading financial assets	(2,570,817)	(220,904)
Cash paid to and on behalf of employees	(1,892,172)	(1,382,000)
Taxes and surcharge paid	(1,797,631)	(1,068,998)
Cash paid relating to other operating activities	(1,325,836)	(1,061,851)
Sub-total of cash outflows	(131,942,806)	(34,851,869)
Net cash inflows from operating activities	46,694,727	4,058,511

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

Item	2012	2011
2. Cash flows from investing activities		
Proceeds from disposal of investment securities	48,031,447	63,575,865
Investment income received	4,529,907	2,412,213
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	208	2,554
Sub-total of cash inflows	52,561,562	65,990,632
Cash paid to purchase of investment securities	(96,017,182)	(83,785,288)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(619,525)	(576,647)
Sub-total of cash outflows	(96,636,707)	(84,361,935)
Net cash outflows from investing activities	(44,075,145)	(18,371,303)
3. Cash flows from financing activities		
Proceeds from issuance of debt securities	1,900,000	-
Proceeds from capital contribution	-	5,355,000
Sub-total of cash inflows	1,900,000	5,355,000
Interest expense paid to investment securities	(119,569)	(119,600)
Issuance of debt securities paid	(9,732)	-
Dividends paid	-	(136,000)
Sub-total of cash outflows	(129,301)	(255,600)
Net cash inflows from financing activities	1,770,699	5,099,400
4. Effect of foreign exchange rate changes on cash and cash equivalents	(11,044)	(19,354)
5. Net increase/(decrease) in cash and cash equivalents	4,379,237	(9,232,746)
Plus: Cash and cash equivalents at beginning of the year	36,205,348	45,438,094
6. Cash and cash equivalents at the end of the year	40,584,585	36,205,348

China Bohai Bank Co., Ltd.
Summary of Annual Report 2013

1. Important Notice

1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior executives of the Bank guarantee that the *Annual Report 2013* contains no fraudulent disclosures, misleading statements or major omissions, and agree to be individually and jointly responsible for the authenticity, accuracy and completeness of the report. The summary is abstracted from the full-text of *Annual Report 2013* of the Bank, and investors are advised to refer to the full-text of the annual report for details.

1.2 The *Annual Report 2013* and the *Summary of Annual Report* of the Bank were reviewed and approved at the 5th Meeting of the Third Board of Directors and the 4th Meeting of the Third Board of Supervisors of the Bank on 23 April 2013. On the same date, the 25th Meeting of the General Meeting of Shareholders considered and approved the profit distribution plan proposing not paying dividends for 2013 temporarily.

1.3 Legal Representative and Chairman Liu Baofeng, President Zhao Shigang, Vice President and Chief Financial Officer Guo Jinli and General Manager of the Finance Department Fan Weiying, guarantee the authenticity, accuracy and completeness of the financial statements disclosed in the *Annual Report 2013* of the Bank.

1.4 The 2013 Financial Statements of the Bank have been audited by PwC Zhong Tian LLP in accordance with the China Standards on Auditing and the International Standards on Auditing respectively, and standard unqualified auditor's reports have been issued.

1.5 Unless otherwise specified, financial data and indicators in the *Summary of Annual Report* are denominated in Renminbi (RMB).

2. Corporate Information

2.1 Basic information

Legal name and abbreviation in Chinese: 渤海银行股份有限公司（渤海银行）

Legal name and abbreviation in English: China Bohai Bank Co., Ltd. (CBHB)

Legal Representative: Liu Baofeng

Corporate business license number: 100000000040065

Registered & office address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Website: http://www.cbhb.com.cn

Customer service & complaint hotline: (86) 95541, 400 888 8811

Postcode: 300204

2.2 Contact information

Secretary to the Board of Directors: Sun Liguo

Address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Telephone: (86) 22-5831 6666

Fax: (86) 22-5831 6528

Postcode: 300204

2.3 Locations where copies of the Annual Report are kept

The Board's Office and main outlets of the Bank

Summary of Annual Report is published in the *Financial News* and on the Bank's website.

2.4 Accounting firm for the annual audit

Accounting firm engaged by the Bank: PricewaterhouseCoopers Zhong Tian LLP

Address: 11th Floor, PwC Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

CPAs signed the Auditor's Reports: Li Tieying, Han Song

3. Financial Highlights

3.1 Major accounting data and financial indicators

(Unit: RMB1,000)

Item	2013 Audited (PRC GAAP)	2013 Audited (IFRS)	2012 (Audited, PRC GAAP)	Increase/ decrease (%) (Audited, PRC GAAP)	2011 (Audited, PRC GAAP)
Operating results:					
Operating income	12,787,879	12,808,825	9,459,710	35.18	6,419,155
Operating profit	5,919,007	5,951,317	4,404,306	34.39	2,438,154
Net income before tax	5,951,317	5,951,317	4,403,497	35.15	2,464,780
Net profit	4,562,366	4,562,366	3,339,190	36.63	1,837,501
Net profit attributable to shareholders	4,562,366	4,562,366	3,339,190	36.63	1,837,501
Net profit attributable to shareholders after extraordinary items	4,538,134	4,562,366	3,339,797	35.88	1,817,532
Net cash flows from operating activities	70,679,815	70,679,815	46,694,727	51.37	4,058,511
Per share data (in RMB yuan):					
Basic earnings per share attributable to shareholders	0.33	0.33	0.24	37.50	0.15
Diluted earnings per share attributable to shareholders	0.33	0.33	0.24	37.50	0.15
Basic earnings per share attributable to shareholders after extraordinary items	0.33	0.33	0.24	37.50	0.15
Diluted earnings per share attributable to shareholders after extraordinary items	0.33	0.33	0.24	37.50	0.15
Net cash flows per share from operating activities	5.10	5.10	3.37	50.15	0.29
Financial ratios (%):					
Return on average total assets attributable to shareholders	0.88	0.88	0.85	Up 0.03 percentage point	0.64
Fully diluted ROE attributable to shareholders	18.85	18.85	16.85	Up 2.00 percentage points	11.13
Return on weighted average equity attributable to shareholders	20.69	20.69	18.38	Up 2.31 percentage points	13.11
Fully diluted ROE attributable to shareholders after extraordinary items	18.75	18.75	16.86	Up 1.89 percentage points	11.01
Return on weighted average equity attributable to shareholders after extraordinary items	20.59	20.59	18.38	Up 2.21 percentage points	12.97

(Unit: RMB1,000)

Item	31 December 2013 Audited (PRC GAAP)	31 December 2013 Audited (IFRS)	31 December 2012 (Audited, PRC GAAP)	Increase/ decrease (%) (Audited, PRC GAAP)	31 December 2011(Audited, PRC GAAP)
Scale:					
Total assets	568,211,044	568,211,044	472,102,071	20.36	312,488,473
Total loans and advances	167,908,722	167,908,722	141,478,689	18.68	112,546,636
-Corporate loans	134,948,539	134,948,539	117,189,688	5.15	96,025,948
-Discounted bills	5,081,166	5,081,166	4,658,705	9.07	1,765,128
-Personal loans	27,879,017	27,879,017	19,630,296	42.02	14,755,560
Allowance for impairment losses	3,706,275	3,706,275	2,621,553	41.38	1,915,133
Total liabilities	544,013,729	544,013,729	452,289,904	20.28	295,979,657
Customer deposits	303,747,445	303,747,445	213,420,715	42.32	162,043,421
-Demand	117,056,895	117,056,895	89,915,052	30.19	74,519,952
-Time	186,690,550	186,690,550	123,505,663	51.16	87,523,469
Placements from banks and other financial institutions	7,470,445	7,470,445	13,481,043	-44.59	2,383,500
Equity attributable to shareholders	24,197,315	24,197,315	19,812,167	22.13	16,508,816
Net assets per share attributable to shareholders (in RMB yuan)	1.75	1.75	1.43	22.38	1.19
Total share capital	13,855,000	13,855,000	13,855,000	-	13,855,000

3.2 Supplementary financial indicators

(In %)

Item	2013	2012	2011
Profitability:			
Net interest spread	1.96	1.91	1.98
Net interest margin	2.14	2.11	2.17
Cost-to-income ratio	34.74	38.58	44.64
Item	**31 December 2013**	**31 December 2012**	**31 December 2011**
Asset quality:			
NPL ratio	0.26	0.14	0.14
Allowance for impairment losses on loans to non-performing loans	852.28	1,304.48	1,227.50
Allowance for impairment losses on loans to total loans	2.21	1.85	1.70
Capital adequacy:			
Capital adequacy ratio	11.06	-	-
Tier-one capital adequacy ratio	8.70	-	-
Core tier-one capital adequacy ratio	8.70	-	-
Leverage ratio	3.53	-	-

Item		31 December 2013	31 December 2012	31 December 2011
Other indicators:				
Liquidity ratio	RMB	36.55	44.26	39.26
	Foreign currencies equivalent to RMB	288.55	42.81	219.07
	RMB and foreign currencies	37.32	44.19	39.57
Loan-to-deposit ratio	RMB	54.64	64.24	68.02
	Foreign currencies equivalent to RMB	134.82	152.80	41.13
	RMB and foreign currencies	55.28	65.19	67.74
Percentage of loans to single largest borrower		6.19	5.87	6.55
Percentage of loans to top 10 borrowers		47.65	47.04	43.94
Percentage of interbank borrowing and lending (RMB)	Percentage of interbank borrowing	0.94	1.95	1.37
	Percentage of interbank lending	0.08	2.50	1.09

Notes: 1. The Bank calculates capital adequacy ratios according to the *Capital Rules for Commercial Banks (Provisional)* issued by CBRC.

2. The Bank calculates leverage ratio according to the *Capital Rules for Commercial Banks (Provisional)* and the *Leverage Ratio Rules for Commercial Banks* issued by CBRC as well as the PRC GAAP.

3. Based on the *Capital Rules for Commercial Banks (Provisional)* of CBRC, net capital of the Bank was RMB30,692 million as at the end of 2013. Based on the *Regulation Governing Capital Adequacy Ratio of Commercial Banks* of CBRC, net capital of the Bank was RMB31,140 million as at the end of 2013.

4. Percentage of loans to single largest borrower and percentage of loans to top 10 borrowers are proportions of the borrowers' loan balances to net capital.

3.3 Extraordinary items and corresponding amount

(Unit: RMB1,000)

Extraordinary item	2013	2012	2011
Non-operating income	34,837	3,018	67,677
Non-operating expenses	2,527	3,827	41,051
Net non-operating income	32,310	-809	26,626
Less: Effects of extraordinary gain/loss on income tax	8,078	-202	6,657
Total	24,232	-607	19,969

3.4 Differences in the financial accounting pursuant to the PRC GAAP and the IFRS

There was no difference regarding the net profit of the Bank for 2013 and the net assets of the Bank as of 31 December 2013 presented in the financial statements of the Bank prepared pursuant to the PRC GAAP and the IFRS respectively.

4. Changes in Share Capital and Shareholders

4.1 Number of shareholders and particulars of shareholding

As of the release date of the Annual Report, the Bank had seven shareholders. Changes in their shareholdings in the Bank in 2013 are as follows.

Shareholder	31 December 2012		Increase/ decrease in 2013 (+/-)(share)	31 December 2013	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
TEDA Investment Holding Co., Ltd.	2,125,000,000	25.00	-	2,125,000,000	25.00
Standard Chartered Bank (Hong Kong) Limited	1,699,150,000	19.99	-	1,699,150,000	19.99
China Ocean Shipping (Group) Company	1,161,950,000	13.67	-	1,161,950,000	13.67
State Development & Investment Corporation	991,950,000	11.67	-	991,950,000	11.67
Baosteel Group Corporation	991,950,000	11.67	-	991,950,000	11.67
Tianjin Trust Co., Ltd.	850,000,000	10.00	-	850,000,000	10.00
Tianjin Shanghui Investment (Holding) Co., Ltd.	680,000,000	8.00	-	680,000,000	8.00
Total	8,500,000,000	100.00	-	8,500,000,000	100.00

Notes: 1. Tianjin Trust Co., Ltd. invests in the Bank with funds raised through collective funds trust.

2. The Bank launched its second capital increase in 2011. Except that RMB595 million subscribed by Tianjin Trust Co., Ltd. would be paid upon satisfaction of regulatory requirements on capital increase, subscriptions by the other shareholders have been paid in within 2011. As at the end of 2013, total shares subscribed amounted to RMB14,450 million and the paid-in amount was RMB13,855 million. The capital increase would be completed upon the approval of CBRC and the registration change with State Administration for Industry & Commerce (SAIC). Consequently, the registered capital of the Bank was still RMB8,500 million as at the end of 2013.

4.2 Changes in shares

Changes in shares of the Bank in 2013 are as follows.

	31 December 2012		Increase/decrease in 2013 (+/-) (share)			31 December 2013	
	Number of shares	Percentage (%)	New shares	Others	Subtotal	Number of shares	Percentage (%)
State-owned shares	-	-	-	-	-	-	-
Shares held by state-owned legal persons	5,270,850,000	62.01	-	-	-	5,270,850,000	62.01
Shares held by other domestic investors	1,530,000,000	18.00	-	-	-	1,530,000,000	18.00
Shares held by foreign investors	1,699,150,000	19.99	-	-	-	1,699,150,000	19.99
Total	8,500,000,000	100.00	-	-	-	8,500,000,000	100.00

Note: "Shares held by other domestic investors" include shares held by Tianjin Trust Co., Ltd. (investing in the Bank with funds raised through collective funds trust) and Tianjin Shanghui Investment (Holding) Co., Ltd.

4.3 Association between shareholders as well as share transfer, share pledge, custody of shares and locked-up shares

In 2013, there was no association between the seven shareholders of the Bank. Neither were any of their shares in the Bank transferred, pledged, locked up or under custody.

4.4 Controlling shareholder, de facto controller and employee shares

In 2013, the Bank had no controlling shareholder, de facto controller or employee shares.

5. Directors, Supervisors and Senior Executives

5.1 Basic information of directors, supervisors and senior executives as at the end of 2013

Name	Title	Gender	Date of birth	Term of office
Liu Baofeng	Chairman	Female	Nov. 1954	6 Feb. 2009-4 Feb. 2016
Fung, Joi Lun Alan	Vice Chairman	Male	Apr. 1948	16 Aug. 2010-4 Feb. 2016
Zhang Bingjun	Director	Male	Aug. 1963	5 Feb. 2013-4 Feb. 2016
Shen Xiaolin	Director	Male	Jul. 1967	21 Mar. 2012-4 Feb. 2016
Ma Zehua	Director	Male	Jan. 1953	21 Mar. 2012-27 Feb. 2014
Huang Yanxun	Director	Male	Oct. 1963	21 Mar. 2012-23 Apr. 2014
Wang Chengran	Director	Male	Apr. 1959	6 Jan. 2010-4 Feb. 2016
Zhang Yunji	Director	Male	Aug. 1954	6 Feb. 2009-4 Feb. 2016
Zhao Shigang	Director, President	Male	Mar. 1955	6 Feb. 2009-4 Feb. 2016
Zhang Shiming	Director	Male	Sept. 1953	6 Feb. 2009-27 Feb. 2014
	Vice President			18 Jul. 2007-27 Feb. 2014
Wong Li Foon	Director, Vice President	Female	Oct. 1967	6 Feb. 2009-4 Feb. 2016
Zhang Junxi	Independent Director	Male	Aug. 1963	5 Feb. 2013-4 Feb. 2016
Zhu Yuanliang	Independent Director	Male	Jan. 1945	6 Feb. 2009-4 Feb. 2016
Nan Jingming	Independent Director	Male	Feb. 1951	5 Feb. 2013-4 Feb. 2016
Wang Weisheng	Employee Supervisor, Chairman of the Board of Supervisors	Male	Mar. 1955	5 Feb. 2013-4 Feb. 2016
Fan Zhenrong	Supervisor	Male	Aug. 1947	23 Apr. 2008-4 Feb. 2016
Zhang Jiaxing	External Supervisor	Male	Sept. 1952	29 Jul. 2009-4 Feb. 2016
Han Ping	External Supervisor	Female	Jan. 1950	5 Feb. 2013-4 Feb. 2016
Chang Guangwei	Employee Supervisor	Male	Aug. 1971	5 Feb. 2013-4 Feb. 2016
Guo Jinli	Vice President	Male	Jun. 1963	16 Dec. 2009-4 Feb. 2016
	Chief Financial Officer			29 Jul. 2009-4 Feb. 2016

Name	Title	Gender	Date of birth	Term of office
Li Yi	Vice President	Male	Dec. 1967	16 Dec. 2009-4 Feb. 2016
	Chief Risk Officer			5 Aug. 2009-4 Feb. 2016
Sun Liguo	Vice President	Male	Dec. 1963	16 Dec. 2009-4 Feb. 2016
	Secretary to the Board of Directors			22 Dec. 2005-4 Feb. 2016
Liu Huiwen	Director	Male	Dec. 1954	22 Dec. 2005-5 Feb. 2013
Xu Feng	Independent Director	Male	Jul. 1951	6 Feb. 2009-5 Feb. 2013
Tian Ruizhang	Independent Director	Male	Jun. 1944	24 Jul. 2007-5 Feb. 2013
Zhang Hua	Employee Supervisor, Chairman of the Board of Supervisors	Male	Mar. 1952	7 Dec. 2007-5 Feb. 2013
Wang Shengjia	External Supervisor	Male	Jan. 1945	22 Dec. 2005-5 Feb. 2013
Wu Siqi	Employee Supervisor	Male	Feb. 1965	7 Dec. 2007-5 Feb. 2013

5.2 Remuneration of directors, supervisors and senior executives

The Bank keeps improving remuneration management and performance evaluation of directors, supervisors and senior executives in accordance with relevant policies of the local and central governments. Remuneration policies of the Bank are submitted to the Nomination & Remuneration Committee of the Board of Directors and the Board of Directors for review. In 2013, 28 directors, supervisors and senior executives received a total pre-tax remuneration of RMB11.7078 million from the Bank. The total remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other senior executives for 2013 is subject to the approval of competent authority and will be disclosed when determined. The total pre-tax remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other senior executives for 2012 approved by competent authority based on appraisal is RMB12.7021 million.

6. Report of the Board of Directors

6.1 Management discussion and analysis

6.1.1 Business performance

Businesses maintained sound development. As at the end of 2013, total assets of the Bank stood at RMB568,211 million, an increase of 20.36% over the beginning of the year, of which total loans (including discounted bills) recorded RMB167,909 million, a rise of 18.68%, placements with banks and other financial institutions and assets purchased under resale agreements totaled RMB129,152 million, a decrease of 14.87%, and investment and other financial assets registered RMB190,860 million, a rise of 74.37%. Total liabilities were RMB544,014 million, a rise of 20.28% over the year beginning, of which total deposits (excluding due to banks) increased by 42.32% to RMB303,747 million and due to banks and other financial institutions increased by 58.92% to RMB178,798 million.

Profitability improved remarkably. In 2013, the Bank's operating income increased by 35.18% year on year to RMB12,788 million, net fee and commission income rose by 7.75% to RMB1,915 million, while cost-to-income ratio declined by 3.84 percentage points to 34.74%. Net income after tax reached RMB4,562 million, up by 36.63% over the previous year.

Asset quality remained stable. As at the end of 2013, the balance of the Bank's non-performing loans (NPLs) was RMB435 million, an increase of RMB234 million over the beginning of the year, with an NPL ratio of 0.26%, a rise of 0.12 percentage point. Provisions for loan losses were sufficient. The Bank set aside RMB3,706 million as allowance for impairment losses on loans, securing an allowance-to-total loans ratio of 2.21% and an allowance-to-NPL ratio of 852.28%. Allowance for impairment losses on investment receivables was RMB116 million. Asset quality and provisions maintained at reasonable levels.

Business performance improved prominently. As at the end of 2013, the Bank's net profit increased by 36.63% year on year, maintaining a robust growth trend. Return on weighted average equity rose by 2.31 percentage points over the previous year, signifying a constant improvement in profitability.

6.1.2 Items of the income statement

6.1.2.1 Changes in the items of the income statement

In 2013, the Bank generated a net income before tax of RMB5,951 million, an increase of 35.15% over the previous year and realized a net profit of RMB4,562 million, an increase of 36.63%. The profit growth was primarily attributed to the significant increase of the operating income.

In 2013, the Bank reaped an operating income of RMB12,788 million, a year-on-year increase of 35.18%. This was mainly due to the remarkable growth of net interest income.

The following table sets forth the changes in major items of the Bank's income statement for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Operating income	12,787,879	9,459,710	35.18
Incl.: Net interest income	10,514,678	7,546,204	39.34
Net fee and commission income	1,914,738	1,777,060	7.75
Net gain/loss on investments	46,462	-14,945	410.89
Net gain/loss on changes of fair value	328,399	112,320	192.38
Foreign exchange gain/loss	-16,398	39,071	-141.97
Operating expenses	6,868,872	5,055,404	35.87
Incl.: Business tax and surcharges	763,558	636,702	19.92
General and administrative expenses	4,442,175	3,649,424	21.72
Impairment losses on assets	1,618,957	722,859	123.97
Other operating expenses	44,182	46,419	-4.82
Net non-operating income	32,310	-809	4,093.82
Net income before tax	5,951,317	4,403,497	35.15
Less: Income tax expense	1,388,951	1,064,307	30.50
Net profit	4,562,366	3,339,190	36.63

6.1.2.2 Net interest income

In 2013, the Bank recorded a net interest income of RMB10,515 million, an increase of 39.34% over 2012.

6.1.2.2.1 Interest income

In 2013, the Bank achieved an interest income of RMB27,134 million, a year-on-year increase of 32.13%, of which interest income from loans and advances was RMB10,018 million, up by 12.70% over the previous year and the interest income from financial assets purchased under resale agreements posted RMB8,424 million, up by 84.61%.

The table below sets forth the composition of the Bank's interest income for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Interest income from due from banks and other financial institutions	580,761	262,964	120.85
Interest income from deposits with PBC	835,524	573,487	45.69
Interest income from placements with banks and other financial institutions	209,116	1,282,662	-83.70
Interest income from loans and advances	10,018,243	8,889,028	12.70
Incl.: Interest income from corporate loans and advances	8,136,688	7,379,469	10.26
Interest income from personal loans and advances	1,461,553	1,099,468	32.93
Interest income from discounted bills	420,002	410,091	2.42
Interest income from assets purchased under resale agreements	8,423,651	4,563,059	84.61
Interest income from securities investments	1,086,712	915,704	18.68
Interest income from investment receivables	5,973,317	4,048,438	47.55
Others	6,491	-	-
Total interest income	27,133,815	20,535,342	32.13

Interest income from loans and advances

In 2013, the Bank achieved an interest income of RMB10,018 million from loans and advances, a year-on-year increase of 12.70%. The increase was mainly attributed to the greater expansion of average balance of loans compared with that of the previous year.

The table below sets forth the Bank's average balance and average rate of return of loans and advances for the periods indicated.

(Unit RMB1,000)

Item	2013			2012		
	Average balance	Interest income	Average rate of return (%)	Average balance	Interest income	Average rate of return (%)
Corporate loans and discounted bills	135,828,179	8,556,690	6.30	111,706,600	7,789,560	6.97
Personal loans	23,013,638	1,461,553	6.35	16,212,028	1,099,468	6.78
Total loans and advances	158,841,817	10,018,243	6.31	127,918,628	8,889,028	6.95

Interest income from deposits with PBC, due from and placements with banks and other financial institutions, and assets purchased under resale agreements

In 2013, the Bank's interest income from deposits with PBC and due from and placements with banks and other financial institutions totaled RMB1,625 million, a decrease of 23.30% over the previous year. And interest income from assets purchased under resale agreements stood at RMB8,424 million, up by 84.61%.

Interest income from securities investment and investment receivables

In 2013, the Bank recorded an interest income of RMB1,087 million from securities investment, an increase of 18.68% over the previous year, and an interest income of RMB5,973 million from investment receivables, up by 47.55%.

6.1.2.2.2 Interest expenses

In 2013, the Bank recorded interest expenses of RMB16,619 million, an increase of 27.95% over 2012.

The table below sets forth the composition of the Bank's interest expenses for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Interest expenses on due to banks and other financial institutions	6,749,207	4,249,060	58.84
Interest expenses on placements from banks and other financial institutions	433,669	288,363	50.39
Interest expenses on customer deposits	6,786,150	4,614,539	47.06
Interest expenses on assets sold under repurchase agreements	2,071,522	3,460,142	-40.13
Interest expenses on debt securities in issue	227,297	167,731	35.51
Other interest expenses	351,292	209,303	67.84
Total interest expenses	16,619,137	12,989,138	27.95

Interest expenses on customer deposits

In 2013, the Bank recorded interest expenses on customer deposits of RMB6,786 million, an increase of 47.06% over the previous year.

The table below sets forth the average balance and average cost ratio of the Bank's corporate and personal deposits for the periods indicated.

(Unit: RMB1,000)

Item	2013			2012		
	Average balance	Interest expenses	Average cost ratio (%)	Average balance	Interest expenses	Average cost ratio (%)
Corporate deposits	246,487,516	6,084,984	2.47	167,447,759	4,176,723	2.49
Incl.: Demand	98,804,154	956,598	0.97	73,997,060	851,824	1.15
Time	147,683,362	5,128,386	3.47	93,450,699	3,324,899	3.56
Deposits from individuals	23,535,720	701,166	2.98	16,168,912	437,816	2.71
Incl.: Demand	6,699,254	32,383	0.48	5,148,934	28,893	0.56
Time	16,836,466	668,783	3.97	11,019,978	408,923	3.71
Total customer deposits	270,023,236	6,786,150	2.51	183,616,671	4,614,539	2.51

Interest expenses on placements from and due to banks and other financial institutions and assets sold under repurchase agreements

In 2013, the Bank's interest expenses on placements from and due to banks and other financial institutions grew by 58.30% to RMB7,183 million, interest expenses on assets sold under repurchase agreements decreased by 40.13% to RMB2,072 million.

Interest expenses on debt securities in issue

In 2013, the Bank recorded interest expenses of RMB227 million on debt securities in issue, an increase of RMB60 million over the previous year.

6.1.2.2.3 Net interest spread and net interest margin

In 2013, the Bank's net interest spread was 1.96%, an increase of 0.05 percentage point from the previous year. The net interest margin increased by 0.03 percentage point to 2.14%.

6.1.2.3 Net fee and commission income

In 2013, the Bank's net fee and commission income increased by 7.75% to RMB1,915 million, mainly resulting from growth in service fees for wealth management and custody businesses.

The table below sets forth the major components of the Bank's net fee and commission income for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Fee and commission income	2,069,139	1,862,557	11.09
Incl.: Settlement and clearing fee	127,293	124,281	2.42
Custodian service fee	568,063	388,738	46.13
Commission income from agent services	207,014	250,149	-17.24
Consulting service fee	320,656	442,425	-27.52
Wealth management service fee	621,132	415,843	49.37
Credit commitment commission and capital service fee	174,797	138,331	26.36
Bank card fee	15,073	21,716	-30.59
Others	35,111	81,074	-56.69
Fee and commission expenses	154,401	85,497	80.59
Incl.: Settlement expenses	71,779	21,095	240.27
Consulting service expenses	34,112	4,573	645.94
Agency expenses	26,796	35,434	-24.38
Bank card expenses	19,133	16,003	19.56
Others	2,581	8,392	-69.24
Net fee and commission income	1,914,738	1,777,060	7.75

6.1.2.4 Net gain on investments

The table below sets forth the major components of the Bank's net gain on investments for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Derivative financial instruments	76,895	-30,179	354.80
Available-for-sale investments	2,448	15,454	-84.16
Trading financial assets	-33,103	-314	-10,442.36
Others	222	94	136.17
Total	46,462	-14,945	410.89

6.1.2.5 General and administrative expenses

In 2013, the Bank's general and administrative expenses totaled RMB4,442 million, up by 21.72% over 2012.

The table below sets forth the major components of the Bank's general and administrative expenses for the periods indicated.

(Unit: RMB1,000)

Item	2013	2012	Increase/ decrease (%)
Staff costs	2,524,806	2,111,444	19.58
Business expenses	1,360,416	1,056,828	28.73
Depreciation and amortization	235,334	217,534	8.18
Operating lease	321,619	263,618	22.00
Total	4,442,175	3,649,424	21.72

6.1.2.6 Impairment losses on assets

The Bank prudently sets aside allowance for impairment losses on assets in strict compliance with regulatory requirements. In 2013, the Bank set aside RMB1,619 million as allowance for impairment losses on assets, up by 123.97% over 2012. Specifically, it set aside RMB1,668 million for impairment losses on loans and advances and transferred back allowance for impairment losses on investment receivables of RMB49 million.

6.1.2.7 Income tax expense

In 2013, the Bank's income tax expense stood at RMB1,389 million, up by 30.50% over 2012, with the effective tax rate at 23.34%. The increase in income tax expenses was primarily attributed to the rapid growth of operating profit.

6.1.3 Items of the balance sheet

6.1.3.1 Asset items

As at the end of 2013, the Bank's total assets were RMB568,211 million, an increase of 20.36% over the beginning of the year. The growth of assets was primarily attributed to the increase of loan scale and investment receivables.

6.1.3.1.1 Loans and advances

As at the end of 2013, the Bank's loans and advances (including discounted bills) amounted to RMB167,909 million, an increase of 18.68% over the year beginning. The increase was mainly attributed to: first, the Bank adopted differentiated access and exit policies to guide credit direction and improve customer structure; second, it coordinated the wholesale and retail banking in growing personal loan business, striving for the strategic objective of maintaining a 20% share of retail loans in the total loans; third, it dedicated to serving the real economy and efficiently allocated credit.

The table below sets forth the Bank's loans and advances by product type on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate loans and advances	134,948,539	80.37	117,189,688	82.83	15.15
Discounted bills	5,081,166	3.03	4,658,705	3.29	9.07
Personal loans and advances	27,879,017	16.60	19,630,296	13.88	42.02
Total loans and advances	167,908,722	100.00	141,478,689	100.00	18.68

6.1.3.1.2 Placements with banks and other financial institutions and assets purchased under resale agreements

As at the end of 2013, the Bank's placements with banks and other financial institutions and financial assets purchased under resale agreements totaled RMB129,152 million, down by 14.87% over the year beginning. To be specific, placements with banks and other financial institutions decreased by 72.04% and assets purchased under resale agreements dropped by 11.07%.

The table below sets forth the composition of the Bank's placements with banks and other financial institutions on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Placements with other domestic banks	2,209,747	83.71	6,621,573	70.13	-66.63
Placements with other domestic non-banking financial institutions	430,000	16.29	2,820,000	29.87	-84.75
Subtotal	2,639,747	100.00	9,441,573	100.00	-72.04
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	2,639,747	100.00	9,441,573	100.00	-72.04

The table below sets forth the particulars about the Bank's assets purchased under resale agreements on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Bills					
-Bank acceptances	26,419,641	20.88	96,604,486	67.90	-72.65
-Commercial acceptances	1,257,540	0.99	1,107,387	0.78	13.56
Bonds	6,778,160	5.36	6,861,500	4.82	-1.21
Beneficiary rights	88,756,742	70.16	31,889,640	22.42	178.32
Wealth management products	3,300,000	2.61	5,800,000	4.08	-43.10
Subtotal	126,512,083	100.00	142,263,013	100.00	-11.07
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	126,512,083	100.00	142,263,013	100.00	-11.07

Notes: 1. The beneficial rights represent asset management products offered by securities companies and other institutions, including asset management plans, which contain a provision of forward commitment for unconditional repurchase by these financial institutions.

2. The wealth management products are fixed term wealth management products purchased by the Bank that are issued by other banks or financial institutions, who provide forward commitment to repurchase these products at fixed interest rates and amounts.

6.1.3.1.3 Investments and other financial assets

As at the end of 2013, the Bank's investments and other financial assets reached RMB190,860 million, an increase of 74.37% over the year beginning. Specifically, derivative financial assets increased by 528.42% and investment receivables rose by 102.71% over the year beginning.

The table below sets forth the composition of the Bank's investments and other financial assets on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Trading financial assets	695,219	0.36	2,994,739	2.74	-76.79
Derivative financial assets	504,738	0.26	80,319	0.07	528.42
Available-for-sale financial assets	9,096,194	4.77	10,437,106	9.54	-12.85
Held-to-maturity investments	20,976,863	10.99	17,217,500	15.73	21.83
Investment receivables	159,587,141	83.62	78,727,478	71.92	102.71
Total	190,860,155	100.00	109,457,142	100.00	74.37

6.1.3.1.4 Top 10 government bonds held by the Bank as at the end of 2013

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
Government Bond A	2,040,000	3.26	2014-06-02
Government Bond B	1,630,000	3.15	2018-01-10
Government Bond C	1,540,000	3.41	2019-03-08
Government Bond D	1,470,000	3.10	2015-09-13
Government Bond E	1,360,000	3.10	2016-01-31
Government Bond F	1,190,000	3.09	2018-05-30
Government Bond G	1,000,000	2.82	2014-12-08
Government Bond H	1,000,000	2.92	2015-04-07
Government Bond I	890,000	3.22	2014-03-10
Government Bond J	870,000	3.60	2016-02-17

6.1.3.1.5 Top 10 financial bonds held by the Bank as at the end of 2013

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
Financial Bond A	2,000,000	3.65	2016-04-19
Financial Bond B	1,100,000	3.93	2015-04-23
Financial Bond C	1,000,000	3.85	2021-02-17
Financial Bond D	800,000	3.89	2014-09-01
Financial Bond E	800,000	3.75	2015-08-25
Financial Bond F	680,000	3.80	2014-04-07
Financial Bond G	400,000	3.83	2014-04-20
Financial Bond H	400,000	3.72	2019-05-22
Financial Bond I	350,000	5.38	2016-04-08
Financial Bond J	300,000	4.23	2014-10-19

6.1.3.1.6 Financial derivatives trading

The Bank's financial derivatives trading business mainly includes interest rate swaps, foreign exchange forwards and foreign exchange swaps. In 2013, the Bank actively hedged against the risk exposure of transactions with derivative financial instruments, and managed its asset & liability portfolios and structured positions through derivative trading. In 2013, the Bank's derivative financial assets increased considerably and derivative financial liabilities grew slightly. Major reasons for the changes were the increase of transaction volume of the Bank's derivative products such as interest rate swaps and the dramatic change in fair value of derivative products caused by the drastic fluctuations of market price.

The contractual amount and fair value of outstanding derivative financial instruments held by the Bank as at the end of 2013 are as follows.

(Unit: RMB1,000)

Item	31 December 2013			31 December 2012		
	Contractual/ Nominal amount	Fair value		Contractual/ Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives	7,274,548	35,247	91,466	4,867,421	8,073	30,891
Incl.: Currency swaps	5,588,630	1,638	62,385	4,368,671	5,889	29,250
Currency forwards	1,685,918	33,609	29,081	498,750	2,184	1,641
Interest rate derivatives	54,870,669	469,491	82,878	43,985,071	72,246	56,952
Incl.: Interest rate swaps	54,870,669	469,491	82,878	43,985,071	72,246	56,952
Total	62,145,217	504,738	174,344	48,852,492	80,319	87,843

6.1.3.1.7 Items related to fair value measurement

In 2013, the Bank prudently calculated the fair value of financial products in strict compliance with relevant provisions and the scope specified in the *Accounting Standards for Business Enterprises*. The valuation model has been regularly assessed and verified by qualified professionals who are independent of the model designers.

(Unit: RMB1,000)

Item	31 December 2012	Gain/loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2013	31 December 2013
Financial assets	13,512,164	414,899	-236,291	-	10,296,151
Incl.: 1. Financial assets at fair value through profit or loss	3,075,058	414,899	-	-	1,199,957
Incl.: Derivative financial assets	80,319	424,419	-	-	504,738
2. Available-for-sale financial assets	10,437,106	-	-236,291	-	9,096,194
Financial liabilities	4,173,831	86,501	-	-	4,261,808
Incl.: Others (subordinated bonds)	4,085,988	-	-	-	4,087,464
Derivative financial liabilities	87,843	86,501	-	-	174,344

The table below sets forth the foreign currency financial assets and liabilities of the Bank.

(Unit: RMB1,000)

Item	31 December 2012	Gain/loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2013	31 December 2013
Financial assets	8,073	27,174	-	-	35,247
Incl.:1. Financial assets at fair value through profit or loss	8,073	27,174	-	-	35,247
Incl.: Derivative financial assets	8,073	27,174	-	-	35,247
2. Loans and receivables	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-
Financial liabilities	30,891	60,575	-	-	91,466

6.1.3.2 Liability items

As at the end of 2013, the Bank's total liabilities reached RMB544,014 million, an increase of 20.28% over the year beginning. The growth was primarily driven by the increase of customer deposits and due to banks and other financial institutions.

6.1.3.2.1 Customer deposits

As at the end of 2013, the Bank's customer deposits were RMB303,747 million, an increase of 42.32% over the year beginning.

The table below sets forth the Bank's customer deposits by customer type and product type on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate deposits	278,175,351	91.58	193,467,858	90.65	43.78
Incl.: Demand	168,266,623	55.40	109,928,644	51.51	53.07
Time	109,908,728	36.18	83,539,214	39.14	31.57
Deposits from individuals	25,572,094	8.42	19,952,857	9.35	28.16
Incl.: Demand	18,423,927	6.07	13,577,019	6.36	35.70
Time	7,148,167	2.35	6,375,838	2.99	12.11
Total	303,747,445	100.00	213,420,715	100.00	42.32

The table below sets forth the Bank's customer deposits by currency on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
RMB	301,335,774	99.21	211,083,183	98.90	42.76
Foreign currencies equivalent to RMB	2,411,671	0.79	2,337,532	1.10	3.17
Total	303,747,445	100.00	213,420,715	100.00	42.32

The table below sets forth the Bank's customer deposits by residual maturity on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand (spot)	115,721,109	38.10	87,966,527	41.22
Less than 1 month	26,503,824	8.73	19,963,085	9.35
1 month to 3 months	39,855,479	13.12	26,930,132	12.62
3 months to 1 year	67,793,876	22.32	49,726,110	23.30
1 year to 3 years	26,332,300	8.67	17,688,035	8.29
Over 3 years	27,540,857	9.06	11,146,826	5.22
Total	303,747,445	100.00	213,420,715	100.00

6.1.3.2.2 Financial assets sold under repurchase agreements

The table below sets forth the particulars about the Bank's financial assets sold under repurchase agreements on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013		31 December 2012		Increase/ Decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Bills	27,283,576	75.28	91,270,407	96.16	-70.11
Bonds	8,960,960	24.72	3,645,000	3.84	145.84
-Government bonds	6,966,760	19.22	1,590,000	2.17	338.16
-Financial bonds	1,994,200	5.50	2,055,000	1.67	-2.96
Total	36,244,536	100.00	94,915,407	100.00	-61.81

6.1.3.3 Shareholders' equity

As at the end of 2013, the Bank's shareholders' equity was RMB24,197 million, up by RMB4,385 million or 22.13% over the year beginning, which was mainly due to a considerable growth of net profit in 2013.

The table below sets forth the composition of the shareholders' equity of the Bank on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2013	31 December 2012	31 December 2011
Share capital	13,855,000	13,855,000	13,855,000
Capital surplus	-175,078	2,140	37,979
Surplus reserve	1,073,340	617,103	283,184
General reserve for risk assets	3,087,428	2,865,107	1,870,060
Retained profits	6,356,625	2,472,817	462,593
Total	24,197,315	19,812,167	16,508,816

6.1.3.4 Off-balance-sheet items that might exert material impact on financial position and business performance of the Bank

The table below sets forth the balance of the Bank's major off-balance-sheet items as at the end of 2013.

(Unit: RMB1,000)

Item	31 December 2013	31 December 2012
Bank acceptances	70,231,477	62,861,522
Letters of credit issued	25,487,684	12,752,856
Letters of guarantee issued	16,767,889	11,920,791
Irrevocable loan commitments	2,591,989	1,915,609
Operating lease commitments	2,163,322	1,961,309
Capital commitments	1,346,707	1,763,951

6.1.3.5 Market share of major products and services

According to the Summary of Sources & Uses of Credit Funds of December 2013 by PBC, the Bank's market share among China's 12 national joint-stock commercial banks in terms of deposits and loans as at the end of 2013 is shown below.

Item	Market share (%)
Total deposits	1.73
Incl.: Total deposits from individuals	0.73
Total Loans	1.34

6.1.4 Items of cash flow statement

In 2013, the Bank's net cash inflow from operating activities, net cash outflow from investing activities and net cash outflow from financing activities were RMB70,680 million, RMB77,685 million and RMB226 million respectively. The year-end balance of cash and cash equivalents were RMB33,332 million.

6.1.5 Other financial information

6.1.5.1 Changes in interest receivables on and off the balance sheet and bad debt provisions for loan interest receivables and other receivables

6.1.5.1.1 Change in the interest receivables on the balance sheet

(Unit: RMB1,000)

Item	Balance on 1 January 2013	Increase in 2013	Recovery in 2013	Balance on 31 December 2013
On-balance-sheet interest receivables	2,853,896	26,732,217	26,975,838	2,610,275

6.1.5.1.2 Change in the interest receivables off the balance sheet

(Unit: RMB1,000)

Item	Balance on 1 January 2013	Increase in 2013	Recovery in 2013	Balance on 31 December 2013
Off-balance-sheet interest receivables	61,853	79,700	81,746	59,807

6.1.5.1.3 Bad debt provisions

The Bank did not set aside any bad debt provisions for loan interest receivables or other receivables. The balance of the Bank's bad debt provision was zero as at the end of 2013.

6.1.5.2 Foreclosed assets

The Bank had no foreclosed assets in 2013.

6.1.5.3 Allowance for impairment losses on assets

The Bank set aside allowance for impairment losses on credit and some of its investments in 2013.

6.1.5.4 Overdue debts

The Bank had no overdue debts as at the end of 2013.

6.1.6 Analysis of capital adequacy ratio (CAR)

The Bank calculated its CARs at all levels according to the *Capital Rules for Commercial Banks (Provisional)* (Capital Rules). As at the end of 2013, core tier-one CAR, tier-one CAR and CAR of the Bank stood at 8.70%, 8.70% and 11.06% respectively, all meeting regulatory requirements.

The scope of CAR calculation includes the Bank and financial institutions directly or indirectly invested by the Bank as specified in the Capital Rules. The table below sets forth the items concerning CARs at all levels calculated in accordance with the Capital Rules and relevant regulations.

(Unit: RMB1,000)

Item	31 December 2013
Core tier-one capital	24,197,315
Regulatory deductions from core tier-one capital	50,239
Net core tier-one capital	24,147,076
Other tier-one capital	-
Net tier-one capital	24,147,076
Tier-two capital	6,845,230
Incl.: Recognizable part of tier-two capital entitled to preferential policy in the transitional period	3,677,389
Regulatory deductions from tier-two capital	300,000
Net capital	30,692,306

The table below sets forth the risk-weighted assets measured according to the Capital Rules. To be specific, credit risk weighted assets, market risk weighted assets and operational risk weighted assets are measured by method of weighting, the standard approach and the basic index approach respectively.

(Unit: RMB1,000)

Item	31 December 2013
Credit risk weighted assets	256,595,112
On-balance-sheet credit risk	213,450,757
Off-balance-sheet credit risk	42,846,210
Credit risk of counterparties	298,145
Market risk weighted assets	3,057,410
Operational risk weighted assets	17,932,321
Total	277,584,843

The table below sets forth the particulars of the CAR and core CAR of the Bank calculated according to the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*.

(Unit: RMB1,000)

Item	31 December 2013	31 December 2012	31 December 2011
Core capital	23,951,016	19,713,936	16,555,294
Share capital	13,855,000	13,855,000	13,855,000
Reserves	10,096,016	5,858,936	2,700,294
Supplementary capital	7,338,954	6,700,895	3,943,137
General provisions for impairment losses on loans	3,005,191	2,516,676	1,736,454
Long-term subordinated bonds	4,087,464	4,085,988	2,194,698
Other supplementary capital	246,299	98,231	11,985
Total capital base before deductions	31,289,970	26,414,831	20,498,431
Deductions	150,000	2,550,000	50,000
Unconsolidated equity investments	50,000	50,000	50,000
Others	100,000	2,500,000	-
Net capital	31,139,970	23,864,831	20,448,431
Net core capital	23,926,016	19,688,936	16,530,294
Risk-weighted and market risk assets adjustment	243,132,257	204,367,689	173,705,273
Capital adequacy ratio (%)	12.81	11.68	11.77
Core capital adequacy ratio (%)	9.84	9.63	9.52

Notes: 1. In accordance with the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*, "reserves" include recognizable parts of capital surplus and retained profits as well as surplus reserve and general reserve for risk assets; "unconsolidated equity investments" shall be deducted by 100% and 50% respectively when calculating net capital and net core capital.

2. "Deductions-others" in the above table refers to subordinated bonds issued by other commercial banks held by the Bank.

6.1.7 Leverage ratio

(Unit: RMB1,000)

Item	31 December 2013
Tier-one capital	24,147,076
Deductions from tier-one capital	-
Total on and off-balance-sheet assets after adjustments	683,181,410
Incl.: Total on-balance-sheet assets after adjustments	567,804,227
Total off-balance-sheet assets after adjustments	115,377,183
Leverage ratio (%)	3.53

6.1.8 Loan quality analysis

6.1.8.1 Distribution of loans by the five-category classification

(Unit: RMB1,000)

Category	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Normal	165,624,838	98.64	139,640,044	98.70	18.61
Special-mention	1,849,017	1.10	1,637,680	1.16	12.90
NPLs	434,867	0.26	200,965	0.14	116.39
Incl.: Substandard	56,294	0.03	139,292	0.10	-59.59
Doubtful	260,656	0.16	3,563	0.00	7,215.63
Loss	117,917	0.07	58,110	0.04	102.92
Total	167,908,722	100.00	141,478,689	100.00	18.68

Notes: 1. The loans above include the balance of discounted bills.

2. The percentage of doubtful loans for 2012 is 0.003%.

6.1.8.2 Loan migration

(In %)

Item	31 December 2013	31 December 2012	31 December 2011
Normal loan migration ratio	1.32	1.27	1.87
Special-mention loan migration ratio	17.41	0.24	0.16
Substandard loan migration ratio	94.98	-	47.26
Doubtful loan migration ratio	95.40	-	100.00

6.1.8.3 Distribution of loans and NPLs by product type

(Unit: RMB1,000)

Category	31 December 2013				31 December 2012			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	134,948,539	80.37	338,386	0.25	117,189,688	82.83	167,254	0.14
Incl.: Short-term corporate loans	75,882,893	45.19	337,307	0.44	75,487,010	53.35	163,389	0.22
Medium and long-term corporate loans	59,065,646	35.18	1,079	0.00	41,702,678	29.48	3,865	0.01
Discounted bills	5,081,166	3.03	29,524	0.58	4,658,705	3.29	5,497	0.12
Incl.: Bank acceptances	4,140,476	2.47	-	-	3,486,288	2.46	-	-
Commercial acceptances	940,690	0.56	29,524	3.14	1,172,417	0.83	5,497	0.47
Personal loans	27,879,017	16.60	66,957	0.24	19,630,296	13.88	28,214	0.14
Incl.: Personal housing loans	13,441,266	8.01	34,285	0.26	7,645,806	5.41	22,753	0.30
Personal auto loans	110,531	0.07	-	-	253,712	0.18	60	0.02
Personal business loans	11,454,051	6.82	31,609	0.28	9,058,874	6.40	4,725	0.05
Others	2,873,169	1.71	1,063	0.04	2,671,904	1.89	676	0.03
Total	167,908,722	100.00	434,867	0.26	141,478,689	100.00	200,965	0.14

Note: The NPL ratio of medium and long-term corporate loans for 2013 is 0.0018%.

6.1.8.4 Distribution of corporate loans and NPLs by industry

(Unit: RMB1,000)

Category	31 December 2013				31 December 2012			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	36,033,052	21.46	87,720	0.24	35,370,436	25.00	89,479	0.25
Lease, commerce and business services	20,965,494	12.49	-	-	16,849,657	11.91	-	-
Real estate	19,652,547	11.71	-	-	7,484,154	5.29	-	-
Wholesale and retail	19,004,409	11.32	249,879	1.31	19,143,165	13.53	76,628	0.40
Water, environment and public facilities management	13,204,226	7.86	-	-	10,312,501	7.29	-	-
Mining	6,368,260	3.79	-	-	6,197,097	4.38	-	-
Construction	5,815,934	3.46	182	0.00	6,124,511	4.33	182	0.00
Transportations and communications, storage and post	3,991,263	2.38	568	0.01	5,591,125	3.95	568	0.01
Production and supply of electricity, gas and water	3,423,437	2.04	-	-	4,239,522	3.00	-	-
Accommodation and catering	3,046,187	1.81	37	0.00	1,357,052	0.96	37	0.00
Farming, forestry, livestock and fishery	1,189,000	0.71	-	-	954,300	0.67	-	-
Information transfer, IT services and software	845,965	0.50	-	-	803,242	0.57	127	0.02
Resident services and other services	434,517	0.26	-	-	439,033	0.31	233	0.05
Public management and social organization	117,955	0.07	-	-	1,487,500	1.05	-	-
Culture, sports and entertainment	65,880	0.04	-	-	282,080	0.20	-	-
Others	790,413	0.47	-	-	554,313	0.39	-	-
Total corporate loans	134,948,539	80.37	338,386	0.25	117,189,688	82.83	167,254	0.14

Notes: 1. Percentage means proportion of loans to each industry in total loans of the Bank.

2. The NPL ratio of accommodation and catering industry for 2013 and 2012 are 0.0012% and 0.0027% respectively.

3. The NPL ratio of construction industry for 2013 and 2012 are 0.0031% and 0.003% respectively.

6.1.8.5 Distribution of loans and NPLs by region

(Unit: RMB1,000)

Category	31 December 2013				31 December 2012			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Northern and Northeastern China	85,728,718	51.06	122,722	0.14	73,829,939	52.18	18,872	0.03
Eastern China	45,517,289	27.11	309,559	0.68	39,775,157	28.11	181,848	0.46
Central and Southern China	27,838,297	16.58	1,795	0.01	19,924,652	14.08	245	0.00
Western China	8,824,418	5.25	791	0.01	7,948,941	5.63	-	-
Total	167,908,722	100.00	434,867	0.26	141,478,689	100.00	200,965	0.14

Notes: 1. The regions are classified as follows:

Northern and Northeastern China: Beijing, Tianjin, Hebei, Shanxi and Liaoning

Eastern China: Shanghai, Jiangsu, Zhejiang and Shandong

Central and Southern China: Hu'nan and Guangdong

Western China: Sichuan

2. The NPL ratio of Central and Southern China for 2012 is 0.0012%.

6.1.8.6 Distribution of loans and NPLs by guarantee type

(Unit: RMB1,000)

Category	31 December 2013				31 December 2012			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Mortgage loans	64,895,343	38.65	108,768	0.17	40,427,682	28.58	82,929	0.21
Pledged loans	27,228,698	16.22	-	-	21,770,302	15.39	-	-
Guaranteed loans	49,371,747	29.40	295,512	0.60	49,210,114	34.78	111,863	0.23
Unsecured loans	21,331,768	12.70	1,063	0.00	25,411,886	17.96	676	0.00
Discounted bills	5,081,166	3.03	29,524	0.58	4,658,705	3.29	5,497	0.12
Total	167,908,722	100.00	434,867	0.26	141,478,689	100.00	200,965	0.14

Note: The NPL ratios of unsecured loans for 2013 and 2012 are 0.005% and 0.0027% respectively.

6.1.8.7 Distribution of loans by overdue period

As at the end of 2013, the balance of the Bank's overdue loans was RMB952.82 million, an increase of RMB532.79 million over the year beginning.

(Unit: RMB1,000)

Category	31 December 2013		31 December 2012		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Overdue for less than 3 months	275,371	0.17	202,161	0.14	36.21
Overdue for 3 months to 1 year	559,426	0.33	160,000	0.11	249.64
Overdue for 1 to 3 years	111,238	0.07	50,483	0.04	120.35
Overdue for more than 3 years	6,784	0.00	7,383	0.01	-8.13
Total overdue loans	952,819	0.57	420,027	0.30	126.85
Total loans	167,908,722	100.00	141,478,689	100.00	18.68

Note: The percentage of loans overdue for more than 3 years for 2013 is 0.004%.

6.1.8.8 Loans to top 10 single borrowers

(Unit: RMB1,000)

Borrower	Industry	31 December 2013			
		Loans	NPLs	Proportion in net capital (%)	Proportion in total loans (%)
Customer A	Municipal facility management	1,900,000	-	6.19	1.13
Customer B	Investment and asset management	1,800,000	-	5.86	1.07
Customer C	Real estate development and operation	1,800,000	-	5.86	1.07
Customer D	Municipal facility management	1,770,000	-	5.77	1.05
Customer E	Real estate development and operation	1,600,000	-	5.21	0.95
Customer F	Investment and asset management	1,400,000	-	4.56	0.83
Customer G	Other real estate	1,256,000	-	4.09	0.75
Customer H	Municipal facility management	1,100,000	-	3.59	0.66
Customer I	Other real estate	1,000,000	-	3.26	0.60
Customer J	Wholesale metals and metal minerals	1,000,000	-	3.26	0.60
Total	-	14,626,000	-	47.65	8.71

Note: The loans above exclude the balance of discounted bills.

6.1.8.9 Restructured loans

Restructured loans refer to the loans rescheduled to accommodate borrowers' deteriorating financial situation or inability to repay loans. As at the end of 2013, the Bank had restructured loans of RMB52.1 million, an increase of 227.67% over the year beginning.

6.1.8.10 Discount loans

The Bank had no discount loans in 2013.

6.1.8.11 Risk management of credit to group customers

In 2013, the Bank attached great importance to the risk management of credit to group customers and further enhanced its risk management capability. The Bank strengthened risk identification and control of the credit, avoided uncertainties incurred from complicated equity structure and diversified operation. It strictly reviewed the authenticity of credit background and the credibility of repayment sources to prevent enterprises from whitewashing financial statements or transferring funds through illegal related party transactions. It also improved judgment on development prospect of the group customers, extended credit to core enterprises and core businesses of such groups, prevented embezzlement, long-term utilization of short-term loans and credit repurposed for other projects or operations. In addition, the Bank made in-depth analysis of each group customer on its business scale, growth potential, risk tolerance and existing credit from other banks, rationally set credit limit for each customer based on the capital scale and risk tolerance of the Bank, so as to avoid risks arising from over-concentration of credit. It built up the early warning mechanism for collecting and analyzing customer information to intensify monitoring, issue timely warnings and take countermeasures.

6.1.8.12 Allowance for impairment losses on loans

The Bank sets aside allowance for impairment losses on credit by individual assessment and collective assessment.

Individual assessment is conducted on large-value credit with evidence that an impairment has been incurred. The Bank identifies individual impairment losses through risk classification, early warning and other systems and procedures. To determine the exact amount of allowance, the Bank assesses the losses on each credit for which allowance is required to be set aside individually on the date of the balance sheet. In the assessment, the Bank usually estimates the recoverable cash flow based on the borrower's financial condition, disposal of collateral and pledge, compensations by the warrantor or other parties. Meanwhile, the Bank discounts the recoverable cash to the present value by an appropriate rate and sets the difference between the book value and the estimated present value as the allowance for impairment losses on the credit.

For small-value credit or credit with no evidence of impairment, the Bank conducts collective assessment to determine the allowance. An elementary instrument for collective assessment is the Expected Loss Model, which is shaped by making collective classification based on industries, products, and risk level as well as setting essential adjustment parameters in light of macro-economic situations, changes of state policies and credit risk management of the Bank.

As at the end of 2013, the Bank's allowance for impairment losses on loans stood at RMB3,706 million, an increase of RMB1,084 million over the year beginning. The allowance-to-NPL ratio was 852.28%.

(Unit: RMB1,000)

Item	2013	2012	2011
Balance at the year beginning	2,621,553	1,915,133	1,399,925
Accrued in the year	1,667,673	706,502	515,412
Transferred back in the year	581,139	-	-
Movement due to exchange rate fluctuation	-1,812	-82	-204
Balance at the year end	3,706,275	2,621,553	1,915,133

Allowance for impairment losses on loans	2013	2012	2011
Individual assessment	278,881	65,313	76,555
Incl.: Corporate loans	277,756	65,313	76,555
Personal loans	1,125	-	-
Collective assessment	3,427,394	2,556,240	1,838,578
Incl.: Corporate loans	2,909,067	2,320,676	1,701,351
Personal loans	518,327	235,564	137,227
Total	3,706,275	2,621,553	1,915,133

6.2 Equity investment

6.2.1 Use of the raised fund

The Bank did not use any raised fund for equity investment in 2013.

6.2.2 Use of non-raised fund

The Bank did not use any non-raised fund for equity investment in 2013.

6.2.3 Shareholding in listed companies and financial institutions

6.2.3.1 Shareholding in listed companies

The Bank did not hold any shares of listed companies in 2013.

6.2.3.2 Shareholding in financial institutions

(Unit：RMB1,000)

Company	Initial investment	At the beginning of 2013		At the end of 2013		Book value at the end of 2013	Gain/ loss in 2013	Change in owner's equity in 2013	Accounting item	Source
		Number of shares held (In 10,000 shares)	Shareholding percentage	Number of shares held (In 10,000 shares)	Shareholding percentage					
China UnionPay Co., Ltd.	150,000	6,000	2.05%	6,000	2.05%	150,000	2,400	-	Available-for-sale investments	Investment
Nanyang Country Bank Co., Ltd.	50,000	5,000	10.00%	5,000	10.00%	50,000	-	-	Available-for-sale investments	Investment

6.3 2013 Profit Distribution Plan

On 23 April 2014, the 25th Meeting of the General Meeting of the Shareholders passed a resolution on the appropriation of RMB456,237 thousand, 10% of the after-tax net profit RMB4,562,366 thousand on the 2013 financial statements (audited, under PRC GAPP), to the statutory surplus reserve, and the appropriation of RMB222,321 thousand to the general reserve for risk assets. No discretionary surplus reserve was provided for 2013 and no dividend was distributed for 2013 for the time being.

6.4 Cash dividends for the previous three years

(Unit: RMB1,000)

Item	2012	2011	2010
Cash dividends (pre-tax)	-	-	136,000
Net profit	3,339,190	1,837,501	777,809
Ratio of cash dividends (pre-tax) to net profit (%)	-	-	17.49

6.5 Other issues requiring disclosure

The Bank had no other issues in 2013 to disclose.

7 Significant Events

7.1 Major litigation and arbitration

The Bank engaged in no major litigation or arbitration with significant impacts on its operation and management in 2013.

7.2 Acquisition & disposal of assets and merger

The Bank did not purchase or dispose of any material assets or go through any mergers in 2013.

7.3 Equity incentive plan

The Bank did not implement any equity incentive plan in 2013.

7.4 Material related party transactions

As at the end of 2013, the Bank's credit balance with related parties totaled RMB1,777.6351 million, all of which were categorized as "normal". Of the credit balance, there were six material related party transactions with a total balance of RMB1,738 million (excluding security deposits, CDs and T-bonds).

As at the end of 2013, the Bank's customer loans guaranteed by related parties totaled RMB1,233 million, deposits from related parties having material transactions with the Bank totaled RMB172 million, foreign currency deposits with related parties totaled RMB730 million equivalent.

7.5 Major contracts and the execution thereof

7.5.1 Material custody, contracting and leasing

The Bank entered into no arrangements for material custody, contracting or leasing in 2013.

7.5.2 Material guarantee

The Bank had no material guarantee that needed to be disclosed except for guarantee services rendered within its business scope in 2013.

7.5.3 Other major contracts

7.5.3.1 Business Complex Project of the Head Office

The 18th Meeting of the General Meeting of Shareholders approved the project with an estimated investment of RMB2,812 million, including land cost of RMB740 million and construction cost of RMB2,072 million, with a total floor area of 187,000 square metres, including the overground floor area of 137,000 square metres and underground floor area of 50,000 square metres.

By the end of 2013, the general contractor, China Construction Eighth Engineering Division had completed the main construction and the construction of curtain walls under 50/F as well as 60% of the electromechanical engineering installation and fire engineering installation. Preparation for decoration is underway.

As at the end of 2013, a total of RMB1,605,790.5 thousand was spent on the project, including RMB399,336.6 thousand in 2013.

7.5.3.2 Service Centre Project of the Head Office

The 9th Meeting of the Second Board of Directors approved the construction project of the Service Centre of the Head Office, with a total investment of RMB372 million and a floor area of 60,000 square metres.

As at the end of 2013, the project was accepted and obtained the *Notification of Filing for Acceptance of Construction Projects in Tianjin Economic-Technological Development Area*. The Service Centre has been put into operation. Final accounting and settlement of the project are underway.

As at the end of 2013, a total of RMB297,358.3 thousand was spent on the project, including RMB28,216.9 thousand in 2013. The above expenditure of RMB297,358.3 thousand has been carried forward as fixed assets.

7.6 Shareholder's commitments

In the second capital increase of the Bank, the seven shareholders of the Bank presented the letters of commitments to full subscription in October 2010. Except the RMB595 million subscribed by Tianjin Trust Co., Ltd. to be paid upon satisfaction of regulatory requirements, subscriptions by the other shareholders were fully paid as scheduled in 2011. The six shareholders had honored their subscription commitments. In 2013, Tianjin Trust Co., Ltd. made further efforts to honor its subscription commitment.

There was no commitment made by shareholders in 2013.

7.7 Capital taken up by controlling shareholders and other related parties

The Bank had no controlling shareholders. Neither had it any capital taken up by other related parties.

The external auditor had issued the *Statement on Capital Taken up by Controlling Shareholders and Other Related Parties of China Bohai Bank Co., Ltd*.

7.8 Appointment and dismissal of the accounting firm

In 2013, according to the resolution of the General Meeting of Shareholders, the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as the Bank's auditor to audit the Bank's 2013 Financial Statements and Notes prepared in accordance with PRC GAAP and IFRS respectively.

7.9 Penalties imposed on the Bank and its directors, supervisors and senior executives

In 2013, no regulatory penalty with significant impacts on operation and management was imposed on the Bank. None of the directors, supervisors or senior executives was penalized.

7.10 Other major events

7.10.1 Qualification obtained

On 18 March 2013, the Bank's two branches in Tianjin were licensed to act as an agent for local social security fund services upon the review by Tianjin Municipal Human Resources and Social Security Bureau.

7.10.2 Approval for opening branch

7.10.2.1 Tier-one branch

There was no new tier-one branch of the Bank opened in 2013.

7.10.2.2 Tier-two branch

On 19 March 2013, in the *Reply of CBRC Liaoning Office on the Opening of China Bohai Bank Co., Ltd. Yingkou Branch* (L.Y.J.F. [2013] No.71), CBRC Liaoning Office approved the opening of Yingkou Branch, which is subordinate to Dalian Branch and situated at 23 East Zhiquan Road, Zhanqian District, Yingkou, Liaoning Province.

On 23 May 2013, in the *Reply of CBRC Zhejiang Office on the Opening of China Bohai Bank Co., Ltd. Wenzhou Branch* (ZH.Y.J.F. [2013] No.321), CBRC Zhejiang Office approved the opening of Wenzhou Branch, which is subordinate to Hangzhou Branch and situated at 1 & 2/F, Heping Mansion, 40 Lucheng Road, Wenzhou, Zhejiang Province.

On 22 August 2013, in the *Reply on the Opening of China Bohai Bank Foshan Branch* (Y.Y.J.F. [2013] No.527), CBRC Guangdong Office approved the opening of Foshan Branch, which is subordinate to Guangzhou Branch and situated at P45-P54 of Tower 4 & Room 702 of the Office Building, 28 Jihua I Road (Yuanhai Guojin Plaza), Chancheng District, Foshan, Guangdong Province.

8. Financial Statements

8.1 Audit opinion

The 2013 Financial Statements of the Bank have been audited by PwC Zhong Tian LLP in accordance with the China Standards on Auditing and the International Standards on Auditing respectively, and standard unqualified auditor's reports have been issued.

8.2 The balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement of the Bank

BALANCE SHEET AS AT 31 DECEMBER 2013

(Amount in thousands of Renminbi, unless otherwise stated)

ASSETS	31 December 2013	31 December 2012
Cash and balances with Central Bank	68,861,201	51,192,823
Due from banks and other financial institutions	8,523,688	14,854,425
Placements with banks and other financial institutions	2,639,747	9,441,573
Trading financial assets	695,219	2,994,739
Derivative financial assets	504,738	80,319
Assets purchased under resale agreements	126,512,083	142,263,013
Interest receivable	2,661,955	2,854,604
Loans and advances to customers	164,202,447	138,857,136
Available-for-sale investments	9,096,194	10,437,106
Held-to-maturity investments	20,976,863	17,217,500
Investment receivables	159,587,141	78,727,478
Fixed assets	2,124,541	1,721,230
Intangible assets	582,752	591,009
Deferred income tax assets	746,699	509,472
Other assets	495,776	359,644
TOTAL ASSETS	568,211,044	472,102,071

BALANCE SHEET AS AT 31 DECEMBER 2013 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2013	31 December 2012
Liabilities		
Due to banks and other financial institutions	178,797,613	112,506,567
Placements from banks and other financial institutions	7,470,445	13,481,043
Derivative financial liabilities	174,344	87,843
Assets sold under repurchase agreements	36,244,536	94,915,407
Customer deposits	303,747,445	213,420,715
Tax payable	597,720	488,663
Interest payable	6,659,881	4,291,901
Provisions	60,410	60,410
Debt securities in issue	4,087,464	4,085,988
Other liabilities	6,173,871	8,951,367
Total Liabilities	544,013,729	452,289,904
Shareholders' Equity		
Share capital	13,855,000	13,855,000
Capital surplus	(175,078)	2,140
Surplus reserve	1,073,340	617,103
General reserve for risk assets	3,087,428	2,865,107
Retained profits	6,356,625	2,472,817
Total Shareholders' Equity	24,197,315	19,812,167
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	568,211,044	472,102,071

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amount in thousands of Renminbi, unless otherwise stated)

	2013	2012
Operating income		
Interest income	27,133,815	20,535,342
Interest expense	(16,619,137)	(12,989,138)
Net interest income	10,514,678	7,546,204
Fee and commission income	2,069,139	1,862,557
Fee and commission expense	(154,401)	(85,497)
Net fee and commission income	1,914,738	1,777,060
Net gain/(loss) on investments	46,462	(14,945)
Net gain on changes of fair value	328,399	112,320
Foreign exchange (loss)/gain	(16,398)	39,071
Operating income	12,787,879	9,459,710
Operating expense		
Business tax and surcharge	(763,558)	(636,702)
General and administrative expense	(4,442,175)	(3,649,424)
Impairment loss on assets	(1,618,957)	(722,859)
Other operating expense	(44,182)	(46,419)
Operating expense	(6,868,872)	(5,055,404)
Non-operating income		
Non-operating income	34,837	3,018
Non-operating expenses	(2,527)	(3,827)
Net non-operating income	32,310	(809)
Net income before tax	5,951,317	4,403,497
Income tax	(1,388,951)	(1,064,307)
Net income after tax	4,562,366	3,339,190
Other comprehensive income	(177,218)	(35,839)
Total comprehensive income for the year	4,385,148	3,303,351
Earnings per share (expressed in RMB per share)		
-Basic earnings per share	0.33	0.24
-Diluted earnings per share	0.33	0.24

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amount in thousands of Renminbi, unless otherwise stated)

	Share Capital	Capital surplus	Surplus reserve	General reserve for risk assets	Retained profits	Total
At 31 December 2012	13,855,000	2,140	617,103	2,865,107	2,472,817	19,812,167
Net profit	-	-	-	-	4,562,366	4,562,366
Other comprehensive income	-	(177,218)	-	-	-	(177,218)
Total comprehensive income for the year	-	(177,218)	-	-	4,562,366	4,385,148
Capital contribution	-	-	-	-	-	-
Dividend appropriation	-	-	-	-	-	-
Appropriation to statutory surplus reserve	-	-	456,237	-	(456,237)	-
Appropriation to general reserve for risk assets	-	-	-	222,321	(222,321)	-
At 31 December 2013	13,855,000	(175,078)	1,073,340	3,087,428	6,356,625	24,197,315
At 31 December 2011	13,855,000	37,979	283,184	1,870,060	462,593	16,508,816
Net profit	-	-	-	-	3,339,190	3,339,190
Other comprehensive income	-	(35,839)	-	-	-	(35,839)
Total comprehensive income for the year	-	(35,839)	-	-	3,339,190	3,303,351
Capital contribution	-	-	-	-	-	-
Dividend appropriation	-	-	-	-	-	-
Appropriation to statutory surplus reserve	-	-	333,919	-	(333,919)	-
Appropriation to general reserve for risk assets	-	-	-	995,047	(995,047)	-
At 31 December 2012	13,855,000	2,140	617,103	2,865,107	2,472,817	19,812,167

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amount in thousands of Renminbi, unless otherwise stated)

	2013	2012
1. Cash flows from operating activities		
Net increase in customer deposits	90,326,730	51,377,294
Net increase/(decrease) due to banks and other financial institutions	66,291,046	58,065,723
Interest, fee and commission received	22,971,825	16,592,301
Net decrease/(increase) in purchased assets under resale aggrements	16,607,141	(76,698,437)
Net decrease/(increase) in placements with banks and other financial institutions	8,068,906	9,726,700
Net decrease/(increase) in trading financial assets	2,256,897	(2,570,817)
Tax concessions received	13,891	-
Cash received relating to other operating activities	20,946	5,734,276
Sub-total of cash inflows	206,557,382	62,227,040
Net increase in assets sold under repurchase agreements	(58,670,871)	26,043,696
Net increase in loans and advances to customers	(27,012,984)	(28,932,053)
Net increase in balances with Central Bank and due from banks and other financial institutions	(20,713,660)	(7,628,670)
Interest, fee and commission paid	(14,178,261)	(11,097,190)
Net increase/(decrease) in due to banks and other financial institutions	(6,010,598)	11,097,543
Cash paid to and on behalf of employees	(2,326,439)	(1,892,172)
Taxes and surcharge paid	(2,240,447)	(1,797,631)
Cash paid relating to other operating activities	(4,724,307)	(1,325,836)
Sub-total of cash outflows	(135,877,567)	(15,532,313)
Net cash inflows from operating activities	70,679,815	46,694,727

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

	2013	2012
2. Cash flows from investing activities		
Proceeds from disposal of investment securities	123,735,776	48,031,447
Investment income received	6,519,543	4,529,907
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	-	208
Sub-total of cash inflows	130,255,319	52,561,562
Cash paid to purchase of investment securities	(207,205,352)	(96,017,182)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(735,163)	(619,525)
Sub-total of cash outflows	(207,940,515)	(96,636,707)
Net cash outflows from investing activities	(77,685,196)	(44,075,145)
3. Cash flows from financing activities		
Proceeds from issuance of debt securities	-	1,900,000
Sub-total of cash inflows	-	1,900,000
Interest expense paid to investment securities	(225,821)	(119,569)
Issuance of debt securities paid	-	(9,732)
Sub-total of cash outflows	(225,821)	(129,301)
Net cash inflows from financing activities	(225,821)	1,770,699
4. Effect of foreign exchange rate changes on cash and cash equivalents	(21,526)	(11,044)
5. Net increase/(decrease) in cash and cash equivalents	(7,252,728)	4,379,237
Plus: Cash and cash equivalents at beginning of the year	40,584,585	36,205,348
6. Cash and cash equivalents at the end of the year	33,331,857	40,584,585

China Bohai Bank Co., Ltd.
Summary of Annual Report 2014

1. Important Notice

1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior executives of the Bank guarantee that the *Annual Report 2014* contains no false records, misleading statements or major omissions, and agree to be individually and jointly responsible for the authenticity, accuracy and completeness of the report. The summary is abstracted from the full-text of *Annual Report 2014* of the Bank, and investors are advised to refer to the full-text of the annual report for details.

1.2 The *Annual Report 2014 and Summary* of the Bank was reviewed and approved at the 13th Meeting of the Third Board of Directors and the 7th Meeting of the Third Board of Supervisors of the Bank on 21 April 2015. On the same date, the 30th Meeting of the Shareholders' General Meeting considered and approved the profit distribution plan proposing not paying dividends for 2014 temporarily.

1.3 Ms. Liu Baofeng, Legal Representative and Chairman of the Bank, Mr. Fu Gang, President of the Bank, Mr. Guo Jinli, Vice President and Chief Financial Officer of the Bank, and Ms. Fan Weiying, General Manager of the Finance Department of the Bank guarantee the authenticity, accuracy and completeness of the financial statements disclosed in the *Annual Report 2014* of the Bank.

1.4 The 2014 Financial Statements of the Bank have been audited by PwC Zhong Tian LLP in accordance with the China Standards on Auditing and the International Standards on Auditing respectively, and standard unqualified auditor's reports have been issued.

1.5 Unless otherwise specified, financial data and indicators in the *Summary of Annual Report 2014* are denominated in Renminbi (RMB).

2. Corporate Information

2.1 Basic information

Legal name and abbreviation in Chinese: 渤海银行股份有限公司(渤海银行)

Legal name and abbreviation in English: China Bohai Bank Co., Ltd. (CBHB)

Legal Representative: Liu Baofeng

Corporate business license number: 100000000040065

Registered & office address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Website: http://www.cbhb.com.cn

Service hotline: (86) 95541, 400 888 8811

Postcode: 300204

2.2 Contact information

Secretary to the Board of Directors: Sun Liguo

Address: 201-205 Machang Road, Hexi District, Tianjin, PRC

Telephone: (86) 22-5831 6666

Fax: (86) 22-5831 6697

Postcode: 300204

2.3 Locations where copies of the Annual Report are kept

The Board's Office and main outlets of the Bank

Summary of Annual Report 2014 is published in the *Financial News* and on the Bank's website.

2.4 Accounting firm for the annual audit

Accounting firm engaged by the Bank: PricewaterhouseCoopers Zhong Tian LLP

Address: 11th Floor, PwC Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

CPAs signed the Auditor's Reports: Li Tieying, Gao Qing

3. Financial Highlights

3.1 Major accounting data and financial indicators

(Unit: RMB1,000)

Item	2014		2013 (Audited, PRC GAAP)	Increase/ decrease (%) (Audited, PRC GAAP)	2012 (Audited, PRC GAAP)
	Audited (PRC GAAP)	Audited (IFRS)			
Operating results:					
Operating income	15,572,510	15,594,635	12,787,879	21.78	9,459,710
Operating profit	6,441,774	6,481,334	5,919,007	8.83	4,404,306
Net income before tax	6,481,334	6,481,334	5,951,317	8.91	4,403,497
Net profit	5,031,271	5,031,271	4,562,366	10.28	3,339,190
Net profit attributable to shareholders	5,031,271	5,031,271	4,562,366	10.28	3,339,190
Net profit attributable to shareholders after extraordinary items	5,001,601	5,001,601	4,538,134	10.21	3,339,797
Net cash flows from operating activities	48,856,538	48,856,538	70,679,815	-30.88	46,694,727
Per share data (in RMB yuan):					
Basic earnings per share attributable to shareholders	0.36	0.36	0.33	9.09	0.24
Diluted earnings per share attributable to shareholders	0.36	0.36	0.33	9.09	0.24
Basic earnings per share attributable to shareholders after extraordinary items	0.36	0.36	0.33	9.09	0.24
Diluted earnings per share attributable to shareholders after extraordinary items	0.36	0.36	0.33	9.09	0.24
Net cash flows per share from operating activities	3.53	3.53	5.10	-30.78	3.37
Financial ratios (%):					
Return on average total assets attributable to shareholders	0.81	0.81	0.88	Down 0.07 percentage point	0.85
Fully diluted ROE attributable to shareholders	17.06	17.06	18.85	Down 1.79 percentage points	16.85
Return on weighted average equity attributable to shareholders	18.71	18.71	20.69	Down 1.98 percentage points	18.38
Fully diluted ROE attributable to shareholders after extraordinary items	16.96	16.96	18.75	Down 1.79 percentage points	16.86
Return on weighted average equity attributable to shareholders after extraordinary items	18.60	18.60	20.59	Down 1.99 percentage points	18.38

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013 (Audited, PRC GAAP)	Increase/ decrease (%) (Audited, PRC GAAP)	31 December 2012 (Audited, PRC GAAP)
	Audited (PRC GAAP)	Audited (IFRS)			
Scale:					
Total assets	667,147,543	667,147,543	568,211,044	17.41	472,102,071
Total loans and advances	205,361,253	205,361,253	167,908,722	22.31	141,478,689
-Corporate loans	161,099,934	161,099,934	134,948,539	19.38	117,189,688
-Discounted bills	12,314,981	12,314,981	5,081,166	142.37	4,658,705
-Personal loans	31,946,338	31,946,338	27,879,017	14.59	19,630,296
Allowance for impairment losses	5,056,691	5,056,691	3,706,275	36.44	2,621,553
Total liabilities	637,651,250	637,651,250	544,013,729	17.21	452,289,904
Customer deposits	354,729,650	354,729,650	303,747,445	16.78	213,420,715
-Demand	138,360,142	138,360,142	117,056,895	18.20	89,915,052
-Time	216,369,508	216,369,508	186,690,550	15.90	123,505,663
Placements from banks and other financial institutions	3,467,643	3,467,643	7,470,445	-53.58	13,481,043
Equity attributable to shareholders	29,496,293	29,496,293	24,197,315	21.90	19,812,167
Net assets per share attributable to shareholders (in RMB yuan)	2.13	2.13	1.75	21.71	1.43
Total share capital	13,855,000	13,855,000	13,855,000	-	13,855,000

3.2 Supplementary financial indicators

(In %)

Item	2014	2013	2012
Profitability:			
Net interest spread	2.00	1.96	1.91
Net interest margin	2.22	2.14	2.11
Cost-to-income ratio	34.89	34.74	38.58
Item	31 December 2014	31 December 2013	31 December 2012
Asset quality:			
NPL ratio	1.20	0.26	0.14
Allowance for impairment losses on loans to non-performing loans	204.39	852.28	1,304.48
Allowance for impairment losses on loans to total loans	2.46	2.21	1.85
Capital adequacy:			
Capital adequacy ratio	11.09	11.06	-
Core tier 1 capital adequacy ratio	8.64	8.70	-
Leverage ratio	3.57	3.53	-

(In %)

Item		31 December 2014	31 December 2013	31 December 2012
Other indicators:				
Liquidity ratio	RMB	39.94	36.55	44.26
	Foreign currencies equivalent to RMB	427.04	288.55	42.81
	RMB and foreign currencies	42.20	37.32	44.19
Loan-to-deposit ratio	RMB	56.57	54.64	64.24
	Foreign currencies equivalent to RMB	142.55	134.82	152.80
	RMB and foreign currencies	57.89	55.28	65.19
Percentage of loans to single largest borrower		5.74	6.19	5.87
Percentage of loans to top 10 borrowers		43.26	47.65	47.04
Percentage of interbank borrowing and lending (RMB)	Percentage of interbank borrowing	0.10	0.94	1.95
	Percentage of interbank lending	1.11	0.08	2.50

Note: 1. The Bank calculates capital adequacy ratios according to the *Capital Rules for Commercial Banks (Provisional)* issued by CBRC.

2. The Bank calculates leverage ratio according to the *Capital Rules for Commercial Banks (Provisional)* and the *Leverage Ratio Rules for Commercial Banks* issued by CBRC as well as the PRC GAAP.

3. Based on the *Capital Rules for Commercial Banks (Provisional)* of CBRC, net capital of the Bank was RMB37,806 million as at the end of 2014. Based on the *Regulation Governing Capital Adequacy Ratio of Commercial Banks* of CBRC, net capital of the Bank was RMB39, 074 million as at the end of 2014.

4. "Percentage of loans to single largest borrower" and "percentage of loans to top 10 borrowers" are proportions of the borrowers' loans to net capital.

3.3 Extraordinary items and corresponding amount

(Unit: RMB1,000)

Extraordinary item	2014	2013	2012
Non-operating income	53,168	34,837	3,018
Non-operating expenses	13,608	2,527	3,827
Net non-operating income	39,560	32,310	-809
Less: Effects of extraordinary gain/loss on income tax	9,890	8,078	-202
Total	29,670	24,232	-607

3.4 Differences in financial accounting pursuant to the PRC GAAP and the IFRS

There was no difference regarding the net profit of the Bank for 2014 and the net assets of the Bank as of 31 December 2014 presented in the financial statements of the Bank prepared pursuant to the PRC GAAP and the IFRS respectively.

4. Shareholders and Changes in Share Capital

4.1 Number of shareholders and particulars of shareholding

As at the end of 2014 and the release date of this Annual Report, the Bank had seven shareholders. Changes in their shareholdings in the Bank in 2014 are as follows.

Shareholder	31 December 2013		Increase/ decrease in 2014 (+/-)(share)	31 December 2014	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
TEDA Investment Holding Co., Ltd.	2,125,000,000	25.00	-	2,125,000,000	25.00
Standard Chartered Bank (Hong Kong) Limited	1,699,150,000	19.99	-	1,699,150,000	19.99
China Ocean Shipping (Group) Company	1,161,950,000	13.67	-	1,161,950,000	13.67
State Development & Investment Corporation	991,950,000	11.67	-	991,950,000	11.67
Baosteel Group Corporation	991,950,000	11.67	-	991,950,000	11.67
Tianjin Trust Co., Ltd.	850,000,000	10.00	-	850,000,000	10.00
Tianjin Shanghui Investment (Holding) Co., Ltd.	680,000,000	8.00	-	680,000,000	8.00
Total	8,500,000,000	100.00	-	8,500,000,000	100.00

Note: 1. Tianjin Trust Co., Ltd. invests in the Bank with funds raised through collective funds trust.

2. The Bank launched its second capital increase in 2011. Except that RMB595 million subscribed by Tianjin Trust Co., Ltd. will be paid upon satisfaction of regulatory requirements on capital increase, subscriptions by the other shareholders were paid in within 2011. As at the end of 2014, shares subscribed amounted to RMB14,450 million and the paid-in amount was RMB13,855 million. The completion of this capital increase is subject to the approval of CBRC and the registration change thereafter. Consequently, the registered capital of the Bank was still RMB8,500 million as at the end of 2014.

4.2 Changes in shares

There was no change in shares of the Bank in 2014, detailed as follows.

	31 December 2013		Increase/decrease in 2014 (+/-) (share)			31 December 2014	
	Number of shares	Percentage (%)	New shares	Others	Subtotal	Number of shares	Percentage (%)
State-owned shares	-	-	-	-	-	-	-
Shares held by state-owned legal persons	5,270,850,000	62.01	-	-	-	5,270,850,000	62.01
Shares held by other domestic investors	1,530,000,000	18.00	-	-	-	1,530,000,000	18.00
Shares held by foreign investors	1,699,150,000	19.99	-	-	-	1,699,150,000	19.99
Total	8,500,000,000	100.00	-	-	-	8,500,000,000	100.00

Note: "Shares held by other domestic investors" include shares held by Tianjin Trust Co., Ltd. (investing in the Bank with funds raised through collective funds trust) and Tianjin Shanghui Investment (Holding) Co., Ltd.

4.3 Association between shareholders as well as share transfer, share pledge, custody of shares and locked-up shares

In 2014, there was no association between the seven shareholders of the Bank. Neither were any of their shares in the Bank transferred, pledged, locked up or under custody.

4.4 Controlling shareholder, de facto controller and employee shares

In 2014, the Bank had no controlling shareholder, de facto controller or employee share.

4.5 Tier 2 capital bond issue in 2014

Upon the *Administrative Approval* (Y.SH.CH.X.ZH.Y.Zi.[2014] No.156) from PBC and the *Reply to the Issuance of Tier 2 Capital Bonds of China Bohai Bank* (Y.J.F.[2014] No.536) from CBRC, the Bank successfully issued the "2014 Tier 2 Capital Bond of China Bohai Bank Co., Ltd." on the national interbank bond market through open bidding on 23 October 2014. A total of RMB3.1 billion worth of the ten-year fixed-rate bond (abbreviation: 14 Bohai Tier 2, bond code: 1428019) was issued, with an annual coupon rate of 6.1% in the first five years and a redemption right exercisable at the end of the fifth year.

5. Directors, Supervisors and Senior Executives

5.1 Basic information of directors, supervisors and senior executives from the beginning of 2014 to the release date of this Annual Report

Name	Title	Gender	Year of birth	Term of office
Liu Baofeng	Director Representing Shareholder, Chairman	Female	Nov. 1954	6 Feb. 2009 - 4 Feb. 2016
Fung, Joi Lun Alan	Director Representing Shareholder, Vice Chairman	Male	Apr. 1948	16 Aug. 2010 - 4 Feb. 2016
Zhang Bingjun	Director Representing Shareholder	Male	Aug. 1963	5 Feb. 2013 - 4 Feb. 2016
Shen Xiaolin	Director Representing Shareholder	Male	Jul. 1967	21 Mar. 2012 - 4 Feb. 2016
Li Yunpeng	Director Representing Shareholder	Male	Jan. 1959	27 Feb. 2014 - 4 Feb. 2016
Ye Baishou	Director Representing Shareholder	Male	Jun. 1962	23 Apr. 2014 - 4 Feb. 2016
Wang Chengran	Director Representing Shareholder	Male	Apr. 1959	6 Jan. 2010 - 4 Feb. 2016
Zhang Yunji	Director Representing Shareholder	Male	Aug. 1954	6 Feb. 2009 - 4 Feb. 2016
Fu Gang	Executive Director President	Male	Mar. 1959	9 Apr. 2015 - 4 Feb. 2016 13 Feb. 2015 - 4 Feb. 2016
Wong Li Foon	Executive Director, Vice President	Female	Oct. 1967	6 Feb. 2009 - 4 Feb. 2016
Guo Jinli	Executive Director Vice President CFO	Male	Jun. 1963	27 Feb. 2014 - 4 Feb. 2016 16 Dec. 2009 - 4 Feb. 2016 29 Jul. 2009 - 4 Feb. 2016
Zhang Junxi	Independent Director	Male	Aug. 1963	5 Feb. 2013 - 4 Feb. 2016
Zhu Yuanliang	Independent Director	Male	Jan. 1945	6 Feb. 2009 - 4 Feb. 2016
Nan Jingming	Independent Director	Male	Feb. 1951	5 Feb. 2013 - 4 Feb. 2016
Wang Weisheng	Employee Supervisor, Chairman of the Board of Supervisors	Male	Mar. 1955	5 Feb. 2013 - 4 Feb. 2016
Bai Jie	Supervisor Representing Shareholder	Female	Mar. 1978	5 Sept. 2014 - 4 Feb. 2016
Zhang Jiaxing	External Supervisor	Male	Sept. 1952	29 Jul. 2009 - 4 Feb. 2016
Han Ping	External Supervisor	Female	Jan. 1950	5 Feb. 2013 - 4 Feb. 2016
Chang Guangwei	Employee Supervisor	Male	Aug. 1971	5 Feb. 2013 - 4 Feb. 2016
Li Yi	Vice President CRO	Male	Dec. 1967	16 Dec. 2009 - 4 Feb. 2016 5 Aug. 2009 - 4 Feb. 2016

Name	Title	Gender	Year of birth	Term of office
Sun Liguo	Vice President	Male	Dec. 1963	16 Dec. 2009 - 4 Feb. 2016
	Secretary to the Board of Directors			22 Dec. 2005 - 4 Feb. 2016
Wang Jinhong	Vice President	Male	Dec. 1971	27 Feb. 2014 - 4 Feb. 2016
Ma Zehua	Director Representing Shareholder	Male	Jan. 1953	21 Mar. 2012 - 27 Feb. 2014
Zhang Shiming	Executive Director	Male	Sept. 1953	6 Feb. 2009 - 27 Feb. 2014
	Vice President			18 Jul. 2007 - 27 Feb. 2014
Huang Yanxun	Director Representing Shareholder	Male	Oct. 1963	21 Mar. 2012 - 23 Apr. 2014
Fan Zhenrong	Supervisor Representing Shareholder	Male	Aug. 1947	23 Apr. 2008 - 5 Sept. 2014
Liang Jianfa	Vice President	Male	Mar. 1965	27 Feb. 2014 - 31 Dec. 2014
Zhao Shigang	Executive Director	Male	Mar. 1955	6 Feb. 2009 - 9 Apr. 2015
	President			6 Feb. 2009 - 13 Feb. 2015

Note: Mr. Fu Gang's eligibility for executive director is subject to regulatory approval.

5.2 Remuneration of directors, supervisors and senior executives

The Bank keeps improving remuneration management and performance evaluation of directors, supervisors and senior executives in accordance with relevant policies of the central and local governments. Remuneration policies of the Bank are submitted to the Nomination & Remuneration Committee of the Board of Directors and the Board of Directors for review. In 2014, 27 directors, supervisors and senior executives received a total pre-tax remuneration of RMB12.7870 million from the Bank. The total remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other senior executives for 2014 is subject to the approval of competent authority and will be disclosed when determined. The total pre-tax appraisal-based remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other senior executives for 2013 approved by competent authority is RMB12.7021 million.

6. Report of the Board of Directors

6.1 Management discussion and analysis

6.1.1 Business performance

Businesses enjoyed sound development. As at the end of 2014, total assets of the Bank stood at RMB667,148 million, an increase of 17.41% over the beginning of the year, of which total loans (including discounted bills) recorded RMB205,361 million, a rise of 22.31%, investment and other financial assets registered RMB278,257 million, an increase of 45.79%. Total liabilities were RMB637,651 million, a rise of 17.21% over the year beginning, of which total deposits (excluding due to banks) increased by 16.78% to RMB354,730 million and due to banks and other financial institutions increased by 9.27% to RMB195,380 million.

Profitability increased remarkably. In 2014, the Bank's operating income increased by 21.78% year on year to RMB15,573 million, net fee and commission income rose by 40.91% to RMB2,698 million, while cost-to-income ratio increased by 0.15 percentage point to 34.89%. Net profit reached RMB5,031 million, up by 10.28% over the previous year.

Asset quality remained stable. As at the end of 2014, the balance of the Bank's non-performing loans (NPLs) was RMB2,474 million, an increase of RMB2,039 million over the year beginning, with an NPL ratio of 1.20%, a rise of 0.94 percentage point. Provisions for loan losses were sufficient, as witnessed by an allowance for impairment losses on loans of RMB5,057 million, an increase of RMB1,350 million. The Bank secured an allowance-to-total loans ratio of 2.46% and an allowance-to-NPL ratio of 204.39%. Asset quality and provisions maintained at acceptable levels.

Business performance improved steadily. As at the end of 2014, the Bank's net profit increased by 10.28% year on year to RMB5,031 million, maintaining a robust growth trend.

6.1.2 Items of income statement

6.1.2.1 Changes in items of income statement

In 2014, the Bank generated a net income before tax of RMB6,481 million, an increase of 8.91% over the previous year and realized a net profit of RMB5,031 million, an increase of 10.28%. The profit growth was primarily attributed to the increase of operating income.

In 2014, the Bank reaped an operating income of RMB15,573 million, a year-on-year increase of 21.78%. This was mainly due to the remarkable growth of net interest income and net fee and commission income.

The following table sets forth the changes in major items of the Bank's income statement for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Operating income	15,572,510	12,787,879	21.78
Incl.: Net interest income	13,432,433	10,514,678	27.75
Net fee and commission income	2,698,097	1,914,738	40.91
Net gain/loss on investments	-57,022	46,462	-222.73
Net gain/loss on changes of fair value	-511,765	328,399	-255.84
Foreign exchange gain/loss	-61,155	-16,398	-272.94
Other operating income	71,922	-	-
Operating expenses	9,130,736	6,868,872	32.93
Incl.: Business tax and surcharges	935,150	763,558	22.47
General and administrative expenses	5,433,108	4,442,175	22.31
Impairment losses on assets	2,713,051	1,618,957	67.58
Other operating expenses	49,427	44,182	11.87
Net non-operating income	39,560	32,310	22.44
Net income before tax	6,481,334	5,951,317	8.91
Less: Income tax expense	1,450,063	1,388,951	4.40
Net profit	5,031,271	4,562,366	10.28

6.1.2.2 Net interest income

In 2014, the Bank recorded a net interest income of RMB13,432 million, an increase of 27.75% over 2013.

6.1.2.2.1 Interest income

In 2014, the Bank achieved an interest income of RMB36,528 million, a year-on-year increase of 34.62%, of which interest income from loans and advances was RMB12,278 million, up by 22.55%; interest income from assets purchased under resale agreements posted RMB6,607 million, down by 21.56%; and interest income from investment receivables totaled RMB14,324 million, up by 139.80% from last year.

The table below sets forth the composition of the Bank's interest income for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Interest income from loans and advances	12,277,552	10,018,243	22.55
Incl.: Interest income from corporate loans and advances	9,766,497	8,136,688	20.03
Interest income from personal loans and advances	1,946,697	1,461,553	33.19
Interest income from discounted bills	564,358	420,002	34.37
Interest income from due from banks and other financial institutions	719,988	580,761	23.97
Interest income from deposits with PBC	1,048,107	835,524	25.44
Interest income from placements with banks and other financial institutions	39,553	209,116	-81.09
Interest income from assets purchased under resale agreements	6,607,353	8,423,651	-21.56
Interest income from securities investments	1,510,792	1,086,712	39.02
Interest income from investment receivables	14,324,202	5,973,317	139.80
Others	-	6,491	-
Total interest income	36,527,547	27,133,815	34.62

Interest income from loans and advances

In 2014, the Bank achieved an interest income of RMB12,278 million from loans and advances, a year-on-year increase of 22.55%. The increase was mainly attributed to the greater expansion of the average balance of loans (including discounted bills) compared with that of the previous year.

The table below sets forth the Bank's average balance and average rate of return of loans and advances for the periods indicated.

(Unit: RMB1,000)

Item	2014			2013		
	Average balance	Interest income	Average rate of return (%)	Average balance	Interest income	Average rate of return (%)
Corporate loans and discounted bills	158,413,202	10,330,855	6.52	135,828,179	8,556,690	6.30
Personal loans	30,607,748	1,946,697	6.36	23,013,638	1,461,553	6.35
Total loans and advances	189,020,950	12,277,552	6.50	158,841,817	10,018,243	6.31

Interest income from deposits with PBC, due from and placements with banks and other financial institutions, and assets purchased under resale agreements

In 2014, the Bank's interest income from deposits with PBC and due from and placements with banks and other financial institutions totaled RMB1,808 million, an increase of 11.21% over 2013. And interest income from assets purchased under resale agreements stood at RMB6,607 million, down by 21.56%.

Interest income from securities investment and investment receivables

In 2014, the Bank recorded an interest income of RMB1,511 million from securities investment, an increase of 39.02% over the previous year, and an interest income of RMB14,324 million from investment receivables, up by 139.80%.

6.1.2.2.2 Interest expenses

In 2014, the Bank recorded interest expenses of RMB23,095 million, an increase of 38.97% over 2013.

The table below sets forth the composition of the Bank's interest expenses for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Interest expenses on customer deposits	9,433,933	6,786,150	39.02
Interest expenses on due to banks and other financial institutions	11,927,216	6,749,207	76.72
Interest expenses on due to central bank	53,472	-	-
Interest expenses on placements from banks and other financial institutions	295,426	433,669	-31.88
Interest expenses on assets sold under repurchase agreements	725,605	2,071,522	-64.97
Interest expenses on debt securities in issue	408,273	227,297	79.62
Other interest expenses	251,189	351,292	-28.50
Total interest expenses	23,095,114	16,619,137	38.97

Interest expenses on customer deposits

In 2014, the Bank recorded interest expenses on customer deposits of RMB9,434 million, an increase of 39.02% over the previous year.

The table below sets forth the average balance and average cost ratio of the Bank's corporate and personal deposits for the periods indicated.

(Unit: RMB1,000)

Item	2014			2013		
	Average balance	Interest expenses	Average cost ratio (%)	Average balance	Interest expenses	Average cost ratio (%)
Corporate deposits	309,603,001	8,583,937	2.77	246,487,516	6,084,984	2.47
Incl.: Demand	108,599,454	1,017,128	0.94	98,804,154	956,598	0.97
Time	201,003,547	7,566,809	3.76	147,683,362	5,128,386	3.47
Deposits from individuals	26,300,188	849,996	3.23	23,535,720	701,166	2.98
Incl.: Demand	7,017,644	27,990	0.40	6,699,254	32,383	0.48
Time	19,282,544	822,006	4.26	16,836,466	668,783	3.97
Total customer deposits	335,903,189	9,433,933	2.81	270,023,236	6,786,150	2.51

Interest expenses on due to central bank, placements from and due to banks and other financial institutions and assets sold under repurchase agreements

In 2014, the Bank's interest expenses on due to central bank, placements from and due to banks and other financial institutions grew by 70.91% to RMB12,276 million, interest expenses on assets sold under repurchase agreements decreased by 64.97% to RMB726 million.

Interest expenses on debt securities in issue

In 2014, the Bank recorded interest expenses of RMB408 million on debt securities in issue, an increase of RMB181 million over the previous year.

6.1.2.2.3 Net interest spread and net interest margin

In 2014, the Bank's net interest spread was 2.00%, an increase of 0.04 percentage point from the previous year. The net interest margin increased by 0.08 percentage point to 2.22%.

6.1.2.3 Net fee and commission income

In 2014, the Bank's net fee and commission income increased by 40.91% to RMB2,698 million, mainly resulting from growth in settlement and clearing fee as well as custodian service fee.

The table below sets forth the major components of the Bank's net fee and commission income for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Fee and commission income	2,872,243	2,069,139	38.81
Incl.: Settlement and clearing fee	242,564	127,293	90.56
Custodian service fee	794,258	568,063	39.82
Commission income from agent services	868,958	828,146	4.93
Consulting service fee	794,771	320,656	147.86
Credit commitment commission and capital service fee	135,252	174,797	-22.62
Bank card fee	14,146	15,073	-6.15
Others	22,294	35,111	-36.50
Fee and commission expenses	174,146	154,401	12.79
Incl.: Settlement expenses	85,594	71,779	19.25
Consulting service expenses	7,061	34,112	-79.30
Agency expenses	51,800	26,796	93.31
Bank card expenses	23,977	19,133	25.32
Others	5,714	2,581	121.39
Net fee and commission income	2,698,097	1,914,738	40.91

6.1.2.4 Net gain on investments

The table below sets forth the major components of the Bank's net gain on investments for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Derivative financial instruments	-23,688	76,895	-130.81
Available-for-sale investments	724	2,448	-70.42
Trading financial assets	-34,133	-33,103	3.11
Others	75	222	-66.20
Total	-57,022	46,462	-222.73

6.1.2.5 General and administrative expenses

In 2014, the Bank's general and administrative expenses totaled RMB5,433 million, up by 22.31% over 2013.

The table below sets forth the major components of the Bank's general and administrative expenses for the periods indicated.

(Unit: RMB1,000)

Item	2014	2013	Increase/ decrease (%)
Staff costs	3,029,572	2,524,806	19.99
Business expenses	1,643,817	1,360,416	20.83
Operating lease	465,081	321,619	44.61
Depreciation and amortization	294,638	235,334	25.20
Total	5,433,108	4,442,175	22.31

6.1.2.6 Impairment losses on assets

The Bank prudently sets aside allowance for impairment losses on assets in strict compliance with regulatory requirements. In 2014, the Bank set aside RMB2,713 million as allowance for impairment losses on assets, up by 67.58% over 2013. Specifically, it set aside RMB2,099 million for impairment losses on loans and advances and RMB614 million for impairment losses on non-credit assets.

6.1.2.7 Income tax expense

In 2014, the Bank's income tax expense stood at RMB1,450 million, with the effective tax rate at 22.37%, down by 0.97 percentage point over 2013. The decrease in effective tax rate was primarily attributed to the increase of non-taxable income such as the interest income from government bonds.

6.1.3 Items of balance sheet

6.1.3.1 Asset items

As at the end of 2014, the Bank's total assets were RMB667,148 million, an increase of 17.41% over the year beginning. The growth of assets was primarily attributed to the increase of loans and advances, as well as investments and other financial assets.

6.1.3.1.1 Loans and advances

As at the end of 2014, the Bank's loans and advances (including discounted bills) amounted to RMB205,361 million, an increase of 22.31% over the year beginning.

The table below sets forth the Bank's loans and advances by product type on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate loans and advances	161,099,934	78.44	134,948,539	80.37	19.38
Discounted bills	12,314,981	6.00	5,081,166	3.03	142.37
Personal loans and advances	31,946,338	15.56	27,879,017	16.60	14.59
Total loans and advances	205,361,253	100.00	167,908,722	100.00	22.31

6.1.3.1.2 Placements with banks and other financial institutions and assets purchased under resale agreements

As at the end of 2014, the Bank's placements with banks and other financial institutions totaled RMB6,885 million, up by 160.81% over the year beginning. To be specific, placements with domestic banks increased by 130.80% to RMB5,100 million and placements with other domestic financial institutions increased by 315.04% to RMB1,785 million.

The table below sets forth the composition of the Bank's placements with banks and other financial institutions on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Placements with other domestic banks	5,100,000	74.08	2,209,747	83.71	130.80
Placements with other domestic non-banking financial institutions	1,784,654	25.92	430,000	16.29	315.04
Subtotal	6,884,654	100.00	2,639,747	100.00	160.81
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	6,884,654	100.00	2,639,747	100.00	160.81

As at the end of 2014, the Bank's assets purchased under resale agreements totaled RMB72,149 million, down by 42.97% over the year beginning. To be specific, beneficiary rights decreased by 25.83% to RMB65,833 million and bills dropped by 88.02% to RMB3,316 million.

The table below sets forth the particulars about the Bank's assets purchased under resale agreements on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Bills	3,315,910	4.60	27,677,181	21.87	-88.02
-Bank acceptances	3,315,910	4.60	26,419,641	20.88	-87.45
-Commercial acceptances	-	-	1,257,540	0.99	-
Bonds	-	-	6,778,160	5.36	-
Beneficiary rights	65,833,167	91.24	88,756,742	70.16	-25.83
Wealth management products	3,000,000	4.16	3,300,000	2.61	-9.09
Subtotal	72,149,077	100.00	126,512,083	100.00	-42.97
Less: Allowance for impairment losses	-	-	-	-	-
Net book value	72,149,077	100.00	126,512,083	100.00	-42.97

Note: 1. "Beneficiary rights" represent asset management products offered by securities companies and other institutions, including asset management plans, which contain a provision of forward commitment for unconditional repurchase by these financial institutions.

2. "Wealth management products" are fixed-term wealth management products purchased by the Bank that are issued by other banks or financial institutions, who provide forward commitment to repurchase these products at fixed interest rates and amounts.

6.1.3.1.3 Investments and other financial assets

As at the end of 2014, the Bank's investments and other financial assets reached RMB278,257 million, an increase of 45.79% over the year beginning. Specifically, trading financial assets increased by 329.55% to RMB2,986 million, available-for-sale financial assets grew by 61.30% to RMB14,672 million, held-to-maturity investments was up by 48.87% to RMB31,229 million, investment receivables rose by 43.65% to RMB229,242 million.

The table below sets forth the composition of the Bank's investments and other financial assets on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Trading financial assets	2,986,345	1.07	695,219	0.36	329.55
Derivative financial assets	128,399	0.05	504,738	0.26	-74.56
Available-for-sale financial assets	14,671,768	5.27	9,096,194	4.77	61.30
Held-to-maturity investments	31,228,536	11.22	20,976,863	10.99	48.87
Investment receivables	229,241,516	82.39	159,587,141	83.62	43.65
Total	278,256,564	100.00	190,860,155	100.00	45.79

6.1.3.1.4 Top 10 government bonds held by the Bank as at the end of 2014

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
Government Bond A	1,630,000	3.15	2018-01-10
Government Bond B	1,540,000	3.41	2019-03-08
Government Bond C	1,500,000	3.50	2015-10-20
Government Bond D	1,500,000	3.70	2021-10-23
Government Bond E	1,500,000	3.53	2019-10-30
Government Bond F	1,470,000	3.10	2015-09-13
Government Bond G	1,360,000	3.10	2016-01-31
Government Bond H	1,250,000	3.89	2016-08-18
Government Bond I	1,190,000	3.09	2018-05-30
Government Bond J	1,160,000	3.66	2017-03-13

6.1.3.1.5 Top 10 financial bonds held by the Bank as at the end of 2014

(Unit: RMB1,000)

Bond	Amount	Rate of return (%)	Maturity date
Financial Bond A	2,000,000	3.6500	2016-04-19
Financial Bond B	1,310,000	5.2462	2017-04-08
Financial Bond C	1,100,000	3.9300	2015-04-23
Financial Bond D	1,000,000	3.8500	2021-02-17
Financial Bond E	970,000	5.6957	2017-01-14
Financial Bond F	800,000	3.2500	2015-08-25
Financial Bond G	800,000	4.7700	2017-05-15
Financial Bond H	700,000	4.6914	2017-08-05
Financial Bond I	400,000	3.7200	2019-05-22
Financial Bond J	400,000	4.5600	2017-06-10

6.1.3.1.6 Financial derivatives trading

The Bank's financial derivatives trading business mainly includes interest rate swaps (including RMB and USD), forex forwards and forex swaps. In 2014, the Bank actively hedged against the risk exposure of transactions with derivative financial instruments, and managed its asset & liability portfolios through derivative trading. As at the end of 2014, the Bank's derivative financial assets decreased moderately and derivative financial liabilities grew slightly over the end of 2013. Major reasons for the changes were the increase in transaction volume of the Bank's derivative products such as interest rate swaps and the change in fair value of derivative products caused by the drastic fluctuations of market return.

The contractual amount and fair value of outstanding derivative financial instruments held by the Bank as at the end of 2014 are as follows.

(Unit: RMB1,000)

Item	31 December 2014			31 December 2013		
	Contractual/ nominal amount	Fair value		Contractual/ nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives	3,632,317	51,171	(30,594)	7,274,548	35,247	(91,466)
Incl.: Currency swaps	2,462,514	21,625	(2,767)	5,588,630	1,638	(62,385)
Currency forwards	1,169,803	29,546	(27,827)	1,685,918	33,609	(29,081)
Interest rate derivatives	85,769,187	77,228	(274,166)	54,870,669	469,491	(82,878)
Incl.: Interest rate swaps	85,769,187	77,228	(274,166)	54,870,669	469,491	(82,878)
Total	89,401,504	128,399	(304,760)	62,145,217	504,738	(174,344)

6.1.3.1.7 Items related to fair value measurement

In 2014, the Bank prudently calculated the fair value of financial products in strict compliance with relevant provisions and the scope specified in the *Accounting Standards for Business Enterprises*. The valuation model was regularly assessed and verified by qualified professionals independent of the model designers.

(Unit: RMB1,000)

Item	31 December 2013	Gain/ loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2014	31 December 2014
Financial assets	10,296,151	(381,349)	356,942	-	17,786,512
Incl.: 1. Financial assets at fair value through profit or loss	1,199,957	(381,349)	-	-	3,114,744
Incl.: Derivative financial assets	504,738	(376,339)	-	-	128,399
2. Available-for-sale financial assets	9,096,194	-	356,942	-	14,671,768
Financial liabilities	4,261,808	130,416	-	-	26,214,764
Incl.: Others (bonds)	4,087,464	-	-	-	25,910,004
Derivative financial liabilities	174,344	130,416	-	-	304,760

The table below sets forth the foreign currency financial assets and liabilities of the Bank.

(Unit: RMB1,000)

Item	31 December 2013	Gain/ loss arising from changes in fair value	Cumulative changes in fair value recognized in equity	Impairment made in 2014	31 December 2014
Financial assets	35,247	15,924	-	-	51,171
Incl.: 1. Financial assets at fair value through profit or loss	35,247	15,924	-	-	51,171
Incl.: Derivative financial assets	35,247	15,924	-	-	51,171
2. Loans and receivables	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-
Financial liabilities	91,466	(60,872)	-	-	30,594

6.1.3.2 Liability items

As at the end of 2014, the Bank's total liabilities reached RMB637,651 million, an increase of 17.21% over the year beginning. The growth was primarily driven by the increase of customer deposits and due to banks.

6.1.3.2.1 Customer deposits

As at the end of 2014, the Bank's customer deposits stood at RMB354,730 million, an increase of 16.78% over the year beginning.

The table below sets forth the Bank's customer deposits by product type and customer type on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Corporate deposits	327,802,797	92.41	278,175,351	91.58	17.84
Incl.: Time	196,710,745	55.45	168,266,623	55.40	16.90
Demand	131,092,052	36.96	109,908,728	36.18	19.27
Deposits from individuals	26,926,853	7.59	25,572,094	8.42	5.30
Incl.: Time	19,658,763	5.54	18,423,927	6.07	6.70
Demand	7,268,090	2.05	7,148,167	2.35	1.68
Total	354,729,650	100.00	303,747,445	100.00	16.78

The table below sets forth the Bank's customer deposits by currency on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
RMB	349,256,478	98.46	301,335,774	99.21	15.90
Foreign currencies equivalent to RMB	5,473,172	1.54	2,411,671	0.79	126.95
Total	354,729,650	100.00	303,747,445	100.00	16.78

The table below sets forth the Bank's customer deposits by residual maturity on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand (spot)	134,272,455	37.85	115,721,109	38.10
Less than 1 month	28,347,862	7.99	26,503,824	8.73
1 to 3 months	45,480,114	12.82	39,855,479	13.12
3 months to 1 year	88,210,507	24.87	67,793,876	22.32
1 to 3 years	24,461,225	6.90	26,332,300	8.67
Over 3 years	33,957,487	9.57	27,540,857	9.06
Total	354,729,650	100.00	303,747,445	100.00

6.1.3.2.2 Financial assets sold under repurchase agreements

As at the end of 2014, the Bank's financial assets sold under repurchase agreements totaled RMB13,579 million, down by 62.54% over the year beginning.

The table below sets forth the particulars about the Bank's financial assets sold under repurchase agreements on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014		31 December 2013		Increase/ decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)	
Bills	3,653,235	26.90	27,283,576	75.28	-86.61
Bonds	9,925,400	73.10	8,960,960	24.72	10.76
-Financial bonds	215,600	1.59	1,994,200	5.50	-89.19
-Government bonds	9,709,800	71.51	6,966,760	19.22	39.37
Total	13,578,635	100.00	36,244,536	100.00	-62.54

6.1.3.3 Shareholders' equity

As at the end of 2014, the Bank's shareholders' equity was RMB29,496 million, up by RMB5,299 million or 21.90% over the year beginning, which was mainly due to the growth of net profit in 2014.

The table below sets forth the composition of the shareholders' equity of the Bank on the dates indicated.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013	31 December 2012
Share capital	13,855,000	13,855,000	13,855,000
Capital surplus	92,629	-175,078	2,140
Surplus reserve	1,576,467	1,073,340	617,103
General reserve for risk assets	8,495,738	3,087,428	2,865,107
Retained profits	5,476,459	6,356,625	2,472,817
Total	29,496,293	24,197,315	19,812,167

6.1.3.4 Off-balance sheet items that might exert material impact on financial position and business performance of the Bank

The table below sets forth the balance of the Bank's major off-balance sheet items as at the end of 2014.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013
Bank acceptances	90,336,024	70,231,477
Letters of credit issued	31,024,602	25,487,684
Letters of guarantee issued	25,204,000	16,767,889
Irrevocable loan commitments	2,009,807	2,591,989
Operating lease commitments	2,913,680	2,163,322
Capital commitments	824,841	1,346,707

6.1.3.5 Market share of major products and services

According to the Summary of Sources & Uses of Credit Funds of December 2014 by PBC, the Bank's market share among 12 national joint-stock commercial banks in Chinese Mainland in terms of deposits and loans as at the end of 2014 is shown below.

Item	Market share (%)
Total deposits	1.83
Incl.: Total savings deposits	0.70
Total loans	1.44

6.1.4 Items of cash flow statement

In 2014, the Bank's net cash inflow from operating activities, net cash outflow from investing activities and net cash inflow from financing activities were RMB48,857 million, RMB72,662 million and RMB21,586 million respectively. The year-end balance of cash and cash equivalents were RMB31,047 million.

6.1.5 Other financial information

6.1.5.1 Changes in interest receivables on and off the balance sheet and bad debt provisions for loan interest receivables and other receivables

6.1.5.1.1 Change in the interest receivables on the balance sheet

(Unit: RMB1,000)

Item	31 December 2013	Increase	Recovery	31 December 2014
On-balance sheet interest receivables	2,610,968	37,979,750	37,219,629	3,371,089

6.1.5.1.2 Change in the interest receivables off the balance sheet

(Unit: RMB1,000)

Item	31 December 2013	Increase	Recovery	31 December 2014
Off-balance sheet interest receivables	59,807	169,414	133,092	96,130

6.1.5.1.3 Bad debt provisions

The Bank did not set aside any bad debt provisions for loan interest receivables or other receivables. The balance of the Bank's bad debt provision was zero as at the end of 2014.

6.1.5.2 Foreclosed assets

The Bank had no foreclosed assets in 2014.

6.1.5.3 Allowance for impairment losses on assets

The Bank set aside allowance for impairment losses on credit and some of its investments in 2014.

6.1.5.4 Overdue debts

The Bank had no overdue debts as at the end of 2014.

6.1.6 Analysis of capital adequacy ratio (CAR)

The Bank calculated CAR at all tiers according to the *Capital Rules for Commercial Banks (Provisional)*. As at the end of 2014, core tier 1 CAR, tier 1 CAR and CAR of the Bank stood at 8.64%, 8.64% and 11.09% respectively, meeting regulatory requirements. In 2014, the Bank's profit kept growing, effectively supplementing core tier 1 capital. Meanwhile, expansion of risk-weighted assets was under proper control and the CAR maintained at a sound level. The scope of CAR calculation includes the Bank and financial institutions directly or indirectly invested by the Bank as specified in the Capital Rules. The table below sets forth the items concerning CAR at all tiers calculated in accordance with the Capital Rules and relevant regulations.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013
Core tier 1 capital	29,496,293	24,197,315
Regulatory deductions from core tier 1 capital	(57,929)	(50,239)
Net core tier 1 capital	29,438,364	24,147,076
Other tier 1 capital	-	-
Net tier 1 capital	29,438,364	24,147,076
Tier 2 capital	8,567,627	6,845,230
Incl.: Recognizable part of tier 2 capital entitled to preferential policy in the transitional period	2,891,225	3,677,389
Regulatory deductions from tier 2 capital	(200,000)	(300,000)
Net capital	37,805,991	30,692,306
Capital adequacy ratio (%)	11.09	11.06
Tier 1 capital adequacy ratio (%)	8.64	8.70
Core tier 1 capital adequacy ratio (%)	8.64	8.70

The table below sets forth the risk-weighted assets measured according to the Capital Rules. To be specific, credit risk weighted assets, market risk weighted assets and operational risk weighted assets are measured by method of weighting, the standard approach and the basic index approach respectively.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013
Credit risk weighted assets	315,840,832	256,595,112
Incl.: On-balance sheet credit risk	263,371,301	213,450,757
Off-balance sheet credit risk	52,329,446	42,846,210
Credit risk of counterparties	140,085	298,145
Market risk weighted assets	1,281,514	3,057,410
Operational risk weighted assets	23,736,464	17,932,321
Total	340,858,810	277,584,843

The table below sets forth the particulars of the CAR and core CAR of the Bank calculated according to the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013	31 December 2012
Core capital	29,411,756	23,951,017	19,713,936
Incl.: Share capital	13,855,000	13,855,000	13,855,000
Reserves	15,556,756	10,096,017	5,858,936
Supplementary capital	9,740,513	7,338,954	6,700,895
Incl.: General provisions for impairment losses on loans	3,713,304	3,005,191	2,516,676
Long-term subordinated bonds	5,984,941	4,087,464	4,085,988
Other supplementary capital	42,268	246,299	98,231
Total capital base before deductions	39,152,269	31,289,971	26,414,831
Deductions	78,643	150,000	2,550,000
Incl.: Unconsolidated equity investments	50,000	50,000	50,000
Others	28,643	100,000	2,500,000
Net capital	39,073,626	31,139,971	23,864,831
Net core capital	29,372,435	23,926,017	19,688,936
Risk-weighted and market risk assets adjustment	299,488,897	243,132,257	204,367,689
Capital adequacy ratio (%)	13.05	12.81	11.68
Core capital adequacy ratio (%)	9.81	9.84	9.63

Note: 1. In accordance with the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*, "reserves" include recognizable parts of capital surplus and retained profits as well as surplus reserve and general reserve for risk assets; "unconsolidated equity investments" shall be deducted by 100% and 50% respectively when calculating net capital and net core capital.

2. "Deductions: others" in the above table refers to gain/loss on trading financial assets, changes in fair value of available-for-sale financial assets and subordinated bonds issued by other commercial banks held by the Bank.

6.1.7 Leverage ratio

In 2014, the Bank managed, measured and disclosed leverage ratio according to the *Capital Rules for Commercial Banks (Provisional)* and *Leverage Ratio Rules for Commercial Banks* of CBRC. The Leverage Ratio Rules sets out that leverage ratio of non-systemically important banks, a category the Bank falls into, shall at least reach 4% before the end of 2016. Accordingly, the Bank has worked out a compliance plan for the transitional period, and will make consistent efforts to meet the regulatory requirement.

(Unit: RMB1,000)

Item	31 December 2014	31 December 2013
Tier 1 capital	29,438,364	24,147,076
Deductions from tier 1 capital	-	-
Total on- and off-balance sheet assets after adjustments	823,731,130	683,181,410
Incl.: Total on-balance sheet assets after adjustments	667,019,145	567,804,227
Total off-balance sheet assets after adjustments	156,711,985	115,377,183
Leverage ratio (%)	3.57	3.53

6.1.8 Loan quality analysis

6.1.8.1 Distribution of loans by the five-category classification

(Unit: RMB1,000)

Category	31 December 2014		31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Normal	198,982,184	96.90	165,624,838	98.64	139,640,044	98.70
Special-mention	3,905,064	1.90	1,849,017	1.10	1,637,680	1.16
NPLs	2,474,005	1.20	434,867	0.26	200,965	0.14
Incl.: Substandard	1,827,342	0.89	56,294	0.03	139,292	0.10
Doubtful	265,951	0.13	260,656	0.16	3,563	0.00
Loss	380,712	0.18	117,917	0.07	58,110	0.04
Total	205,361,253	100.00	167,908,722	100.00	141,478,689	100.00

Note: 1. The amount of loans above includes the amount of discounted bills.
2. The percentage of doubtful loans for 2012 is 0.003%.

6.1.8.2 Loan migration

(In %)

Item	31 December 2014	31 December 2013	31 December 2012
Normal loan migration ratio	4.98	1.32	1.27
Special-mention loan migration ratio	77.57	17.41	0.24
Substandard loan migration ratio	77.10	94.98	-
Doubtful loan migration ratio	93.27	95.40	-

6.1.8.3 Distribution of loans and NPLs by product type

(Unit: RMB1,000)

Category	31 December 2014				31 December 2013			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	161,099,934	78.44	2,182,148	1.35	134,948,539	80.37	338,386	0.25
Incl.: Short-term corporate loans	80,203,792	39.05	1,926,431	2.40	75,882,893	45.19	337,307	0.44
Medium and long-term corporate loans	80,896,142	39.39	255,717	0.32	59,065,646	35.18	1,079	0.00
Discounted bills	12,314,981	6.00	134,349	1.09	5,081,166	3.03	29,524	0.58
Incl.: Bank acceptances	9,513,218	4.63	-	-	4,140,476	2.47	-	-
Commercial acceptances	2,801,763	1.37	134,349	4.80	940,690	0.56	29,524	3.14
Personal loans	31,946,338	15.56	157,508	0.49	27,879,017	16.60	66,957	0.24
Incl.: Personal housing loans	23,467,255	11.43	49,165	0.21	13,441,266	8.01	34,285	0.26
Personal auto loans	898,581	0.44	150	0.02	110,531	0.07	-	-
Personal business loans	5,023,375	2.45	104,900	2.09	11,454,051	6.82	31,609	0.28
Others	2,557,127	1.24	3,293	0.13	2,873,169	1.71	1,063	0.04
Total	205,361,253	100.00	2,474,005	1.20	167,908,722	100.00	434,867	0.26

Note: The NPL ratio of medium and long-term corporate loans for 2013 is 0.0018%.

6.1.8.4 Distribution of corporate loans and NPLs by industry

(Unit: RMB1,000)

Category	31 December 2014				31 December 2013			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	33,530,293	16.33	1,396,201	4.16	36,033,052	21.46	87,720	0.24
Lease, commerce and business services	26,151,181	12.73	-	-	20,965,494	12.49	-	-
Real estate	25,417,894	12.38	-	-	19,652,547	11.71	-	-
Wholesale and retail	22,764,512	11.09	710,788	3.12	19,004,409	11.32	249,879	1.31
Water, environment and public facilities management	18,773,280	9.14	-	-	13,204,226	7.86	-	-
Mining	8,017,513	3.90	-	-	6,368,260	3.79	-	-
Construction	7,616,343	3.71	33,000	0.43	5,815,934	3.46	182	0.00
Transportations and communications, storage and post	5,247,353	2.55	38,817	0.74	3,991,263	2.38	568	0.01
Production and supply of electricity, gas and water	2,569,300	1.25	-	-	3,423,437	2.04	-	-
Accommodation and catering	2,280,930	1.11	-	-	3,046,187	1.81	37	0.00
Public management and social organization	2,239,500	1.09	-	-	117,955	0.07	-	-
Information transfer, IT services and software	1,207,092	0.59	-	-	845,965	0.50	-	-
Farming, forestry, livestock and fishery	740,742	0.36	3,342	0.45	1,189,000	0.71	-	-
Resident services and other services	524,511	0.26	-	-	434,517	0.26	-	-
Culture, sports and entertainment	355,140	0.17	-	-	65,880	0.04	-	-
Others	3,664,350	1.78	-	-	790,413	0.47	-	-
Total corporate loans	161,099,934	78.44	2,182,148	1.35	134,948,539	80.37	338,386	0.25

Note: 1. Percentage means proportion of loans to each industry in total loans of the Bank.

2. The NPL ratio of accommodation and catering industry for 2013 is 0.0012%.

3. The NPL ratio of construction industry for 2013 is 0.0031%.

6.1.8.5 Distribution of loans and NPLs by region

(Unit: RMB1,000)

Category	31 December 2014				31 December 2013			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Northern and Northeastern China	107,225,318	52.21	549,526	0.51	85,728,718	51.06	122,722	0.14
Eastern China	54,090,273	26.34	820,766	1.52	45,517,289	27.11	309,559	0.68
Central and Southern China	34,905,437	17.00	391,823	1.12	27,838,297	16.58	1,795	0.01
Western China	9,140,225	4.45	711,890	7.79	8,824,418	5.25	791	0.01
Total	205,361,253	100.00	2,474,005	1.20	167,908,722	100.00	434,867	0.26

Note: The regions are classified as follows:

Northern and Northeastern China: Beijing, Tianjin, Hebei, Shanxi, Liaoning and Inner Mongolia Autonomous Region

Eastern China: Shanghai, Jiangsu, Zhejiang and Shandong

Central and Southern China: Hu'nan, Hubei and Guangdong

Western China: Sichuan

6.1.8.6 Distribution of loans and NPLs by guarantee type

(Unit: RMB1,000)

Category	31 December 2014				31 December 2013			
	Loans	Percentage (%)	NPLs	NPL ratio (%)	Loans	Percentage (%)	NPLs	NPL ratio (%)
Mortgage loans	72,955,935	35.53	1,036,377	1.42	64,895,343	38.65	108,768	0.17
Pledged loans	31,694,572	15.43	133,642	0.42	27,228,698	16.22	-	-
Guaranteed loans	57,718,164	28.10	1,122,527	1.94	49,371,747	29.40	295,512	0.60
Unsecured loans	30,677,601	14.94	47,110	0.15	21,331,768	12.70	1,063	0.00
Discounted bills	12,314,981	6.00	134,349	1.09	5,081,166	3.03	29,524	0.58
Total	205,361,253	100.00	2,474,005	1.20	167,908,722	100.00	434,867	0.26

Note: The NPL ratio of unsecured loans for 2013 is 0.005%.

6.1.8.7 Distribution of loans by overdue period

As at the end of 2014, the balance of the Bank's overdue loans was RMB2,338.74 million, an increase of RMB1,385.92 million over the year beginning.

(Unit: RMB1,000)

Category	31 December 2014		31 December 2013	
	Loans	Percentage (%)	Loans	Percentage (%)
Overdue for less than 3 months	1,020,642	0.50	275,371	0.17
Overdue for 3 months to 1 year	1,170,850	0.57	559,426	0.33
Overdue for 1 to 3 years	141,732	0.07	111,238	0.07
Overdue for more than 3 years	5,511	0.00	6,784	0.00
Total overdue loans	2,338,735	1.14	952,819	0.57
Total loans	205,361,253	100.00	167,908,722	100.00

Note: The percentage of loans overdue for more than 3 years in 2014 and 2013 are 0.003% and 0.004% respectively.

6.1.8.8 Loans to top 10 borrowers

(Unit: RMB1,000)

Borrower	Industry	31 December 2014			
		Loans	NPLs	Proportion in net capital (%)	Proportion in total loans (%)
Customer A	Water, environment and public facilities management	2,170,670.00	-	5.74	1.06
Customer B	Manufacturing	1,900,000.00	-	5.03	0.92
Customer C	Real estate	1,780,000.00	-	4.71	0.87
Customer D	Water, environment and public facilities management	1,700,000.00	-	4.50	0.83
Customer E	Lease, commerce and business services	1,620,000.00	-	4.28	0.79
Customer F	Water, environment and public facilities management	1,540,930.00	-	4.08	0.75
Customer G	Real estate	1,509,724.31	-	3.99	0.73
Customer H	Lease, commerce and business services	1,500,000.00	-	3.97	0.73
Customer I	Real estate	1,434,845.13	-	3.79	0.70
Customer J	Water, environment and public facilities management	1,200,000.00	-	3.17	0.58
Total	-	16,356,169.44	-	43.26	7.96

6.1.8.9 Restructured loans

Restructured loans refer to the loans rescheduled to accommodate borrowers' deteriorating financial position or inability to repay loans. As at the end of 2014, the Bank had restructured loans of RMB117.00 million, an increase of 124.57% over the year beginning.

6.1.8.10 Discount loans

Discount loans refer to the loans for which the borrower only need to repay the principal and a small proportion of the interest or no interest based on agreements while the rest or the whole of the interest is paid by government agencies or other organizations. As at the end of 2014, the Bank's balance of discount loans stood at RMB600 million.

6.1.8.11 Risk management of credit to group customers

In 2014, the Bank attached great importance to the risk management of credit to group customers and further enhanced its risk management capability. The Bank strengthened risk identification and control in the investigation, review and approval of credit, avoided uncertainties incurred from complicated equity structure and diversified operation. It strictly reviewed the authenticity of credit background and the credibility of repayment sources to prevent enterprises from whitewashing financial statements or transferring funds through illegal related party transactions. It also improved judgement on development prospect of the group customers, extended credit to core enterprises and core businesses of such groups, prevented embezzlement, long-term utilization of short-term loans and credit repurposed for other projects or operations. In addition, the Bank made in-depth analysis of each group customer on its business scale, growth potential, risk tolerance and existing credit from other banks, rationally decided credit line for each customer based on the capital position and risk tolerance of the Bank, so as to avoid risks arising from over-concentration of credit. It built up the early warning mechanism for collecting and analyzing customer information to intensify monitoring, issue timely alerts and take countermeasures.

6.1.8.12 Allowance for impairment losses on loans

The Bank sets aside allowance for impairment losses on credit by individual assessment and collective assessment.

Individual assessment is conducted on large-value credit with evidence that an impairment has been incurred. The Bank identifies individual impairment losses through risk classification, early warning and other systems and procedures. To determine the exact amount of allowance, the Bank assesses the losses on each credit for which allowance is required to be set aside individually on the date of the balance sheet. In the assessment, the Bank usually estimates the recoverable cash flow based on the borrower's financial condition, disposal of collateral and pledge, compensations by the warrantor or other parties. Meanwhile, the Bank discounts the recoverable cash to the present value by an appropriate rate and sets the difference between the book value and the estimated present value as the allowance for impairment losses on the credit.

For small-value credit or credit with no evidence of impairment, the Bank conducts collective assessment to determine the allowance. An elementary instrument for collective assessment is the Expected Loss Model, which is shaped by making collective classification based on industries, products, and risk level as well as setting essential adjustment parameters in light of macroeconomic situations, changes of state policies and credit risk management of the Bank.

As at the end of 2014, the Bank's allowance for impairment losses on loans stood at RMB5,057 million, an increase of RMB1,350 million over the year beginning. The allowance-to-NPL ratio was 204.39%.

(Unit: RMB1,000)

Item	2014	2013	2012
Balance at the year beginning	3,706,275	2,621,553	1,915,133
Accrued in the year	2,099,479	1,667,673	706,502
Transferred back in the year	(699,489)	(581,139)	-
Written-off in the year	(51,011)	-	-
Recovery of the transferred or written-off loans	763	-	-
Movement due to exchange rate fluctuation	674	(1,812)	(82)
Balance at the year end	5,056,691	3,706,275	2,621,553

Allowance for impairment losses on loans	2014	2013	2012
Individual assessment	1,226,070	278,881	65,313
Incl.: Corporate loans	1,218,123	277,756	65,313
Personal loans	7,947	1,125	-
Collective assessment	3,830,621	3,427,394	2,556,240
Incl.: Corporate loans	3,173,021	2,909,067	2,320,676
Personal loans	657,600	518,327	235,564
Total	5,056,691	3,706,275	2,621,553

6.2 Equity investment

6.2.1 Use of raised fund

The Bank did not use any raised fund for equity investment in 2014.

6.2.2 Use of non-raised fund

On 5 September 2014, the 6th Meeting of the Third Board of Directors reviewed and approved the *Proposal on Purchasing a Share of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) by China Bohai Bank Co., Ltd*. On 15 October 2014, the Bank acquired one share in SWIFT at the price of EUR3,430 (or RMB27,096), making itself a registered member of this organization.

6.2.3 Shareholding in listed companies and financial institutions

6.2.3.1 Shareholding in listed companies

The Bank did not hold any shares in listed companies in 2014.

6.2.3.2 Shareholding in financial institutions

(Unit: RMB1,000)

Company	Initial investment	At the beginning of 2014		At the end of 2014		Book value at the end of 2014	Gain/ loss in 2014	Change in owner's equity in 2014	Accounting item	Source
		Number of shares held (in 10,000 shares)	Shareholding percentage	Number of shares held (in 10,000 shares)	Shareholding percentage					
China UnionPay Co., Ltd.	150,000	6,000	2.05%	6,000	2.05%	150,000	2,700	-	Available-for-sale investment	Investment
Nanyang Country Bank Co., Ltd.	50,000	5,000	10.00%	5,000	10.00%	50,000	-	-	Available-for-sale investment	Investment

6.3 2014 Profit Distribution Plan

On 21 April 2015, the 30th Meeting of the Shareholders' General Meeting passed a resolution on the appropriation of RMB503,127 thousand, 10% of the after-tax profit RMB5,031,271 thousand on the 2014 Financial Statements (audited under the PRC GAPP) to the statutory surplus reserve, and the appropriation of RMB5,408,310 thousand to the general reserve for risk assets. No discretionary surplus reserve was provided and no dividend was distributed for the time being.

6.4 Cash dividends for the previous three years

(Unit: RMB1,000)

Item	2013	2012	2011
Cash dividends (pre-tax)	-	-	-
Net profit	4,562,366	3,339,190	1,837,501
Ratio of cash dividends (pre-tax) to net profit (%)	-	-	-

6.5 Other issues requiring disclosure

The Bank had no other issues to disclose in 2014.

7 Significant Events

7.1 Major litigation and arbitration

The Bank was not involved in any major litigation or arbitration with significant impacts on its operation and management in 2014.

7.2 Increase or decrease of registered capital, acquisition & disposal of assets and merger

The Bank did not undergo any changes in registered capital, nor did it purchase or dispose of any material assets or go through any mergers in 2014.

7.3 Equity incentive plan

The Bank did not implement any equity incentive plan in 2014.

7.4 Material related party transactions

As at the end of 2014, the Bank's credit balance with related parties totaled RMB2,493.9480 million, all of which were categorized as "normal". Of the credit balance, there were five material related party transactions with a total balance of RMB2,157.72 million (excluding security deposits, CDs and T-bonds).

As at the end of 2014, the Bank's customer loans guaranteed by related parties totaled RMB1,284 million, deposits from related parties having material transactions with the Bank totaled RMB813 million, the Bank's foreign currency deposits with related parties totaled RMB1,226 million equivalent.

7.5 Major contracts and the execution thereof

7.5.1 Material custody, contracting and leasing

The Bank entered into no arrangements for material custody, contracting or leasing in 2014.

7.5.2 Material guarantee

The Bank had no material guarantee that needed to be disclosed except for guarantee services rendered within its business scope in 2014.

7.5.3 Other major contracts

7.5.3.1 Business Complex Project of the Head Office

The 18th Meeting of the Shareholders' General Meeting approved the project with an estimated investment of RMB2,812 million, including land cost of RMB740 million and construction cost of RMB2,072 million, with a total floor area of 187,000 square metres, including 137,000 square metres overground and 50,000 square metres underground.

As at the end of 2014, the main construction, curtain wall construction, elevator installation, floodlighting, electromechanical engineering and fire engineering of the complex were completed, and 70% of interior decoration and 50% of landscape engineering were finished. Besides, water supply and drainage, electrical power and natural gas systems were functional.

As at the end of 2014, a total of RMB2,115.6280 million was spent on the project, including RMB509.8375 million in 2014.

7.5.3.2 Service Centre Project of the Head Office

The 9th Meeting of the Second Board of Directors approved the construction of the Service Centre of the Head Office, with a total investment of RMB372 million and a floor area of 60,000 square metres.

As at the end of 2014, the Centre was in service, with the Property Ownership Certificate of Tianjin obtained. Final accounting and settlement were underway.

As at the end of 2014, a total of RMB329.3011 million was spent on the project, including RMB31.9428 million in 2014.

7.6 Shareholder's commitments

In the second capital increase of the Bank, the seven shareholders of the Bank presented the letters of commitments on full subscription in October 2010. Except the RMB595 million subscribed by Tianjin Trust Co., Ltd. to be paid upon satisfaction of regulatory requirements, subscriptions by the other shareholders were fully paid as scheduled in 2011. The six shareholders had honored their subscription commitments. In 2014, Tianjin Trust Co., Ltd. made further efforts to honor its subscription commitment.

There was no commitment made by shareholders in 2014.

7.7 Capital tied up by controlling shareholders and other related parties

The Bank had no controlling shareholders. Neither had it any capital tied up by any related parties.

The external auditor had issued the *Statement on Capital Tied up by Controlling Shareholders and Other Related Parties of China Bohai Bank Co., Ltd*.

7.8 Appointment and dismissal of the accounting firm

In 2014, the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP to audit its *2014 Financial Statements and Notes* prepared in accordance with PRC GAAP and IFRS under the resolution of the General Meeting of Shareholders.

7.9 Penalties imposed on the Bank and its directors, supervisors and senior executives

In 2014, no regulatory penalty with significant impacts on operation and management was imposed on the Bank. None of the directors, supervisors or senior executives was penalized.

7.10 Other major events

7.10.1 Amending the Articles of Association

In 2014, the Bank introduced a thorough amendment to the *Articles of Association* based on latest corporate governance regulations of CBRC, including the *Guidelines on Corporate Governance of Commercial Banks,* the *Guidelines for the Board of Supervisors of Commercial Banks,* the *Administrative Measures on Qualifications of Directors and Executives of Banking Institutions* and the *Rules on Implemention of Administrative Licensing Items for Domestic Commercial Banks.* The amendment was reviewed and approved at the 26th Meeting of the Shareholders' General Meeting on 5 September 2014, and ratified by CBRC in its *Reply to the Amendments to the Articles of Association of China Bohai Bank Co., Ltd.* (Y.J.F.[2015] No.21) dated 8 January 2015. On 3 February 2015, the State Administration for Industry & Commerce permitted the filing of the revised *Articles of Association* with the *Notice on Filing* ((Guo) D.J.N.B.Zi.[2015] No.64).

7.10.2 Shareholding in Hawtai Auto Finance Co., Ltd.

On 27 February 2014, the 4th Meeting of the Third Board of Directors of the Bank reviewed and approved the *Proposal on Equity Participation in Establishment of Hawtai Auto Finance Co., Ltd. by China Bohai Bank Co., Ltd.*, agreeing to hold 10% shares in the company with a contribution of RMB50 million. On 29 December 2014, CBRC permitted establishment of the company in Tianjin in its *Reply to the Establishment of Hawtai Auto Finance Co., Ltd.* (Y.J.F.[2014] No.975). On 12 February 2015, CBRC Tianjin Office approved the opening of the company in its *Reply to the Opening of Hawtai Auto Finance Co., Ltd.* (J.Y.J.F.[2015] No.78).

7.10.3 Obtaining qualifications

Taiyuan Branch of the Bank was qualified as an agent to collect provincial non-tax fiscal revenue of Shanxi Province by the *Letter from the Finance Department of Shanxi Province on Approving the Opening of Special Fiscal Account with Taiyuan Branch of China Bohai Bank* (J.C.K.H.[2014] No.43) issued on 6 May 2014.

On 17 June 2014, the Shanghai Clearing House issued the *Letter of Qualification for Clearing Membership* (Q.S.S.H.Y.ZH.Zi.[2014] No.35), accepting the Bank as a member for central clearing of RMB interest rate swaps.

On 23 June 2014, the Tianjin Public Procurement Centre issued the *Letter of Acceptance* (J.C.G.H.[2014] No.2013), notifying the Bank that it won the bid for being the agent for municipal treasury cash management of Tianjin Finance Bureau.

The Bank met relevant requirements and was included in the *List of the Third Batch of Prepayment Depository Banks* issued by the Payment System Department of the People's Bank of China in its notice (Y.ZH.F.[2014] No.218) on 11 September 2014.

Upon the examination of the Finance Department of Shanxi Government, Taiyuan Central Sub-branch of the People's Bank of China and the Financial Affairs Office of the People's Government of Shanxi Province, Taiyuan Branch was qualified for taking provincial treasury cash deposits of Shanxi province on 27 October 2014.

On 27 October 2014, the Tianjin Public Procurement Centre issued the *Letter of Acceptance* (J.C.G.H.[2014] No.3718), notifying the Bank that it won the bid for managing the fund on the special fiscal account of the Finance Bureau of Tianjin Binhai New Area.

On 24 November 2014, the Bank was qualified as a collector of non-tax revenue of the central government by PBC with the *Administrative Approval* (Y.G.K.X.ZH.Y.Zi.[2014] No.11).

On 2 September 2014, the Shanghai Gold Exchange permitted the Bank to conduct interbank gold bilateral transactions at the Exchange in its *Reply to Interbank Gold Bilateral Transaction Application of China Bohai Bank Co., Ltd.* (SH.J.J.F.[2014] No.100).

7.10.4 Being approved to open branches

7.10.4.1 Tier 1 branch

On 21 January 2014, in the *Reply of CBRC Hubei Office to the Opening of Wuhan Branch of China Bohai Bank Co., Ltd.* (E.Y.J.F.[2014] No.16), CBRC Hubei Office approved the opening of Wuhan Branch, which is situated at 1-3 & 10 & 12-15/F, Weiye International (Tingrui Mansions), 29 Xinhua Road, Jianghan District, Wuhan, Hubei Province.

On 26 May 2014, in the *Reply of CBRC Inner Mongolia Office to the Opening of Hohhot Branch of China Bohai Bank Co., Ltd.* (N.Y.J.F.[2014] No.66), CBRC Inner Mongolia Office approved the opening of Hohhot Branch, which is situated at 23-27/F Tower B and 1-2/F Tower E, BCE Blocks of Taiwei Fangheng Plaza, 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region.

On 4 December 2014, in the *Reply of CBRC Shanghai Office to the Opening of Shanghai FTZ Branch of China Bohai Bank Co., Ltd.* (H.Y.J.F.[2014] No.837), CBRC Shanghai Office approved the opening of Shanghai FTZ Branch, which is situated at A2 Section 1 & 2/F, Tower A, 51 Rijing Road, China (Shanghai) Pilot Free Trade Zone.

7.10.4.2 Tier 2 branch

On 26 February 2014, in the *Reply of CBRC Jiangsu Office to the Opening of Xuzhou Branch of China Bohai Bank Co., Ltd.* (S.Y.J.F.[2014] No.56), CBRC Jiangsu Office approved the opening of Xuzhou Branch, which is subordinate to Nanjing Branch and situated at 1-3/F, Podium of Diwang Plaza, 303 Jiefang Road, Xuzhou City, Jiangsu Province.

On 21 July 2014, in the *Reply of CBRC Shandong Office to the Opening of Zibo Branch of China Bohai Bank Co., Ltd.* (L.Y.J.ZH.[2014] No.270), CBRC Shandong Office approved the opening of Zibo Branch, which is subordinate to Ji'nan Branch and situated at 1-4/F, Podium of Golden No. 1 Complex, 106 Huaguang Road, Zhangdian District, Zibo City, Shandong Province.

On 6 August 2014, in the *Reply of CBRC Shanxi Office to the Opening of Changzhi Branch of China Bohai Bank* (J.Y.J.F.[2014] No.124), CBRC Shanxi Office approved the opening of Changzhi Branch, which is subordinate to Taiyuan Branch and situated at 1-3/F, 28 Jiefang West Road, Changzhi City, Shanxi Province.

On 4 September 2014, in the *Reply of CBRC Jiangsu Office to the Opening of Suzhou Branch of China Bohai Bank Co., Ltd.* (S.Y.J.F.[2014] No.345), CBRC Jiangsu Office approved the opening of Suzhou Branch, which is subordinate to Nanjing Branch and situated at Genway Financial Centre Mansion, 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province.

On 26 November 2014, in its *Reply to the Opening of China Bohai Bank Zhongshan Branch* (Y.Y.J.F.[2014] No.655), CBRC Guangdong Office approved the opening of Zhongshan Branch, which is subordinate to Guangzhou Branch and situated at 1-3/F, Yinglian Times Square, 48 Zhongshan Fifth Road, East District, Zhongshan City, Guangdong Province.

On 16 December 2014, in the *Reply of CBRC Zhejiang Office to the Opening of Jinhua Branch of China Bohai Bank Co., Ltd.* (ZH.Y.J.F.[2014] No.721), CBRC Zhejiang Office approved the opening of Jinhua Branch, which is subordinate to Hangzhou Branch and situated at 1-6/F, South of 1051 Shuanglong South Street, Jinhua City, Zhejiang Province.

7.10.4.3 Upgrade of subbranch to tier 2 branch

On 12 March 2014, in the *Reply of CBRC Zhejiang Office to the Upgrade of Shaoxing Subbranch of China Bohai Bank Co., Ltd.* (ZH.Y.J.F.[2014] No.127), CBRC Zhejiang Office approved the upgrade of Shaoxing Subbranch to Shaoxing Branch (subordinate to Hangzhou Branch). Its address remained unchanged at 1-3/F, Tower A, Yuechifang, 302-318 Jiefang North Road, Shaoxing City, Zhejiang Province.

On 3 November 2014, in the *Reply of CBRC Hebei Office to the Upgrade of Tangshan Subbranch of China Bohai Bank Co., Ltd. to Tier 2 Branch and the Approval for Executives' Qualifications* (J.Y.J.F.[2014] No.352), CBRC Hebei Office approved the upgrade of Tangshan Subbranch to Tangshan Branch (subordinate to Shijiazhuang Branch), which is situated at 1-3/F, Block 2, Zijin Building, Jianhua'nanli, Jianshe Road, Lubei District, Tangshan City, Hebei Province.

7.10.5 Issuing credit asset-backed securities

Upon PBC's *Administrative Approval* (Y.SH.CH.X.ZH.Y.Zi.[2014] No.128) and CBRC's *Reply to the China Bohai Bank (2014) Issue I Credit Asset Securitization Project of China Bohai Bank and Beijing International Trust Co., Ltd.* (Y.J.F.[2014] No.454), "China Bohai Bank (2014) Issue I Credit Asset-Backed Securities" was successfully issued by tender on the national interbank bond market on 10 September 2014, for which the Bank acted as the promoter and the principal, Beijing International Trust Co., Ltd. as the issuer and the trustee. The asset management scheme was formally established on 12 September.

The issuance amounted to RMB3,671.97 million. Specifically, RMB500 million worth of trust preferred securities (TruPS) A-1 was issued at a rate of 5.1%; RMB2,430 million worth of TruPS A-2 was issued at a rate of 5.3%; RMB247 million worth of TruPS B was issued at a rate of 5.7%; and RMB494.97 million worth of secondary TruPS was issued.

The successful issue of credit-backed securities further improved the Bank's image in the open market and blazed a trail in capitalizing on credit assets.

7.10.6 Issuing financial bonds

On 27 February 2014, the 24th Meeting of the Shareholders' General Meeting adopted the resolution on issuing no more than RMB20 billion worth of financial bonds. And the Bank was permitted to issue no more than RMB20 billion worth of financial bonds on the national interbank bond market by the *Reply to Financial Bond Issuance of China Bohai Bank* (Y.J.F.[2014] No.396) from CBRC and the *Administrative Approval* (Y.SH.CH.X.ZH.Y.Zi.[2014] No.162) from PBC.

On 21 October 2014, "2014 China Bohai Bank Co., Ltd. Financial Bond" was successfully issued by open tender on the national interbank bond market. The size of issue was RMB10 billion, and the value date was 22 October 2014. There were two types of the fixed-rate bond: Type 1 (bond code: 1428017, abbreviation: 14 China Bohai Bank 01) had an issuing scale of RMB5 billion with a term of two years and an interest rate of 4.6%; Type 2 (bond code: 1428018, abbreviation: 14 China Bohai Bank 02) had an issuing scale of RMB5 billion with a term of three years and an interest rate of 4.7%. On 22 October 2014, all the raised funds were paid in.

On 5 November 2014, "2014 Issue II China Bohai Bank Co., Ltd. Financial Bond" was successfully issued by open tender on the national interbank bond market. The size of issue was RMB10 billion, and the value date was 6 November 2014. There were two types of the fixed-rate bond: Type 1 (bond code: 1428021, abbreviation: 14 China Bohai Bank 03) had an issuing scale of RMB5 billion with a term of two years and an interest rate of 4.3%; Type 2 (bond code: 1428022, abbreviation: 14 China Bohai Bank 04) had an issuing scale of RMB5 billion with a term of three years and an interest rate of 4.4%. On 6 November 2014, all the raised funds were paid in.

The successful issue of financial bonds was of great significance to the business growth in the long term. It improved the Bank's assets & liabilities structure, introduced a new mechanism for market-oriented debt financing, and helped the Bank establish a positive brand image in the capital market.

7.10.7 Change of industrial & commercial registration authority

On 10 February 2015, the Enterprise Registration Bureau of the State Administration for Industry & Commerce gave the Bank a written notification that the Tianjin Market and Quality Supervision Administrative Committee would replace the State Administration for Industry & Commerce as the registration authority of the Bank from 2 March 2015 and the Bank should register any change, filing, nullification, equity pledge and other items with the Tianjin Market and Quality Supervision Administrative Committee from then on.

7.10.8 Change in business scope

The Bank completed the registration of business scope alteration on 20 March 2015, and obtained a new business license from the Tianjin Market and Quality Supervision Administrative Committee.

8. Financial Statements

8.1 Audit opinion

The 2014 Financial Statements of the Bank have been audited by PwC Zhong Tian LLP in accordance with the China Standards on Auditing and the International Standards on Auditing respectively, and standard unqualified auditor's reports have been issued.

8.2 The balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement of the Bank

BALANCE SHEET AS AT 31 DECEMBER 2014

(Amount in thousands of Renminbi, unless otherwise stated)

ASSETS	31 December 2014	31 December 2013
Cash and balances with Central Bank	85,467,461	68,861,201
Due from banks and other financial institutions	14,738,842	8,523,688
Placements with banks and other financial institutions	6,884,654	2,639,747
Trading financial assets	2,986,345	695,219
Derivative financial assets	128,399	504,738
Assets purchased under resale agreements	72,149,077	126,512,083
Interest receivable	3,432,433	2,661,955
Loans and advances to customers	200,304,562	164,202,447
Available-for-sale investments	14,671,768	9,096,194
Held-to-maturity investments	31,228,536	20,976,863
Investment receivables	229,241,516	159,587,141
Fixed assets	3,392,446	2,124,541
Intangible assets	575,716	582,752
Deferred income tax assets	1,264,365	746,699
Other assets	681,423	495,776
Total Assets	667,147,543	568,211,044

BALANCE SHEET AS AT 31 DECEMBER 2014 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2014	31 December 2013
Liabilities		
Due to Central Bank	10,000,000	-
Due to banks and other financial institutions	195,380,189	178,797,613
Placements from banks and other financial institutions	3,467,643	7,470,445
Derivative financial liabilities	304,760	174,344
Assets sold under repurchase agreements	13,578,635	36,244,536
Customer deposits	354,729,650	303,747,445
Tax payable	1,034,890	597,720
Interest payable	10,059,704	6,659,881
Provisions	60,410	60,410
Debt securities in issue	25,910,004	4,087,464
Other liabilities	23,125,365	6,173,871
Total Liabilities	637,651,250	544,013,729
Shareholders' Equity		
Share capital	13,855,000	13,855,000
Capital surplus	92,629	(175,078)
Surplus reserve	1,576,467	1,073,340
General reserve for risk assets	8,495,738	3,087,428
Retained earnings	5,476,459	6,356,625
Total Shareholders' Equity	29,496,293	24,197,315
Total Liabilities and Shareholders' Equity	667,147,543	568,211,044

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amount in thousands of Renminbi, unless otherwise stated)

	2014	2013
Operating income		
Interest income	36,527,547	27,133,815
Interest expense	(23,095,114)	(16,619,137)
Net interest income	13,432,433	10,514,678
Fee and commission income	2,872,243	2,069,139
Fee and commission expense	(174,146)	(154,401)
Net fee and commission income	2,698,097	1,914,738
Net (loss) /gain on investments	(57,022)	46,462
Net (loss) /gain on changes of fair value	(511,765)	328,399
Foreign exchange (loss)/gain	(61,155)	(16,398)
Other operating income	71,922	-
Operating income	15,572,510	12,787,879
Operating expense		
Business tax and surcharge	(935,150)	(763,558)
General and administrative expense	(5,433,108)	(4,442,175)
Impairment loss on assets	(2,713,051)	(1,618,957)
Other operating expense	(49,427)	(44,182)
Operating expense	(9,130,736)	(6,868,872)
Non-operating income		
Non-operating income	53,168	34,837
Non-operating expenses	(13,608)	(2,527)
Net non-operating income	39,560	32,310
Net income before tax	6,481,334	5,951,317
Income tax	(1,450,063)	(1,388,951)
Net income after tax	5,031,271	4,562,366
Other comprehensive income	267,707	(177,218)
Total comprehensive income for the year	5,298,978	4,385,148
Earnings per share (expressed in RMB per share)		
-Basic earnings per share	0.36	0.33
-Diluted earnings per share	0.36	0.33

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amount in thousands of Renminbi, unless otherwise stated)

	Share Capital	Capital surplus	Surplus reserve	General reserve for risk assets	Retained earnings	Total
At 31 December 2013	13,855,000	(175,078)	1,073,340	3,087,428	6,356,625	24,197,315
Net profit	-	-	-	-	5,031,271	5,031,271
Other comprehensive income	-	267,707	-	-	-	267,707
Total comprehensive income for the year	-	267,707	-	-	5,031,271	5,298,978
Appropriation to statutory surplus reserve	-	-	503,127	-	(503,127)	-
Appropriation to general reserve for risk assets	-	-	-	5,408,310	(5,408,310)	-
At 31 December 2014	13,855,000	92,629	1,576,467	8,495,738	5,476,459	29,496,293
At 31 December 2012	13,855,000	2,140	617,103	2,865,107	2,472,817	19,812,167
Net profit	-	-	-	-	4,562,366	4,562,366
Other comprehensive income	-	(177,218)	-	-	-	(177,218)
Total comprehensive income for the year	-	(177,218)	-	-	4,562,366	4,385,148
Appropriation to statutory surplus reserve	-	-	456,237	-	(456,237)	-
Appropriation to general reserve for risk assets	-	-	-	222,321	(222,321)	-
At 31 December 2013	13,855,000	(175,078)	1,073,340	3,087,428	6,356,625	24,197,315

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amount in thousands of Renminbi, unless otherwise stated)

	2014	2013
1. Cash flows from operating activities		
Net increase in customer deposits	50,982,205	90,326,730
Net increase in due to banks and other financial institutions	16,582,576	66,291,046
Interest, fee and commission received	23,803,456	22,971,825
Net decrease in purchased assets under resale agreements	41,474,092	16,607,141
Net increase in due to Central Bank	10,000,000	-
Tax concessions received	31,043	13,891
Cash received relating to other operating activities	16,136,678	20,946
Sub-total of cash inflows	159,010,050	196,231,579
Net increase in assets sold under repurchase agreements	(22,665,901)	(58,670,871)
Net increase in loans and advances to customers	(38,201,594)	(27,012,984)
Net increase in balances with Central Bank and due from banks and other financial institutions	(11,972,559)	(20,713,660)
Interest, fee and commission paid	(19,632,511)	(14,178,261)
Net (increase)/decrease in placements with banks and other financial institutions	(4,490,000)	8,068,906
Net increase/(decrease) in due to banks and other financial institutions	(4,002,802)	(6,010,598)
Cash paid to and on behalf of employees	(2,677,077)	(2,326,439)
Taxes and surcharges paid	(2,489,623)	(2,240,447)
Net (increase)/decrease in trading financial assets	(2,330,269)	2,256,897
Cash paid relating to other operating activities	(1,691,176)	(4,724,307)
Sub-total of cash outflows	(110,153,512)	(125,551,764)
Net cash inflows from operating activities	48,856,538	70,679,815

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

(Amount in thousands of Renminbi, unless otherwise stated)

	2014	2013
2. Cash flows from investing activities		
Proceeds from disposal of investment	41,445,666	123,735,776
Investment income received	14,699,724	6,519,543
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	1,701	-
Sub-total of cash inflows	56,147,091	130,255,319
Cash paid to purchase of investment securities	(127,166,519)	(207,205,352)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(1,642,849)	(735,163)
Sub-total of cash outflows	(128,809,368)	(207,940,515)
Net cash outflows from investing activities	(72,662,277)	(77,685,196)
3. Cash flows from financing activities		
Proceeds from issuance of debt securities	23,011,495	-
Sub-total of cash inflows	23,011,495	-
Issuance of debt securities paid	(1,200,000)	-
Interest expense paid to investment securities	(225,881)	(225,821)
Sub-total of cash outflows	(1,425,881)	(225,821)
Net cash inflows from financing activities	21,585,614	(225,821)
4. Effect of foreign exchange rate changes on cash and cash equivalents	(65,027)	(21,526)
5. Net decrease in cash and cash equivalents	(2,285,152)	(7,252,728)
Plus: Cash and cash equivalents at beginning of the year	33,331,857	40,584,585
6. Cash and cash equivalents at the end of the year	31,046,705	33,331,857

CHINA BOHAI BANK CO., LTD.

INFORMATION DISCLOSURE REPORT FOR 3Q 2015

Pursuant to the relevant requirements of the *Approval of CBRC to Issuance of Tier-2 Capital Bonds by China Bohai Bank* and the *Decision of Administrative Permits Granted by the People's Bank of China*, the Bank shall on a quarterly basis disclose its results of operations, financial information and capital management in strict compliance with the *Administrative Measures for Issuance of Financial Bonds on National Interbank Bond Market*.

As at the end of September 2015, the total assets of the Bank on the legal entity basis amounted to RMB 786,003,833,800, while the total liabilities amounted to RMB 751,496,054,400, representing a net profit of RMB 4,761,176,600. The details are set forth as follows:

I. Capital Management

(I) Regulatory requirements

The minimum requirements of CBRC on the capital adequacy ratios of the Bank at various tiers are: (1) not less than 5% for core tier-1 capital adequacy ratio; (2) not less than 6% for tier-1 capital adequacy ratio; and (3) not less than 8% for capital adequacy ratio. Pursuant to the minimum capital requirements, the Bank shall make provisions for the reserve capital as required, which is 2.5% of the risk weighted assets and shall be satisfied with the core tier-1 capital. The Bank is not required to make provisions for the countercyclical capital and additional capital.

(II) Capital adequacy ratio

As at the end of September 2015, our capital adequacy ratio, the core tier-1 capital adequacy ratio and the tier-1 capital adequacy ratio was 12.27%, 7.97% and was 7.97%, respectively. The details are set forth in the following table.

(% for ratios and RMB10,000 for amounts)

Item	As at 30 September 2015
Core tier-1 capital	3,450,777.93
Including: Core tier-1 capital deduction	6,145.08
Other tier-1 capital	0
Other tier-1 capital deduction	0
Tier-2 capital	1,874,664.66
Tier-2 capital deduction	20,000.00
Core tier-1 capital, net	3,444,632.85
Tier-1 capital, net	3,444,632.85
Capital, net	5,299,297.51
Total risk weighted assets	43,193,778.23
Credit risk weighted assets	40,529,920.46
Market risk weighted assets	290,211.37
Operating risk weighted assets	2,373,646.40
Core tier-1 capital adequacy ratio	7.97
Tier-1 capital adequacy ratio	7.97
Capital adequacy ratio	12.27

II. External Investments

As at the end of September 2015, we had equity investments amounting to RMB 250 million, including the investment of RMB 150 million in China UnionPay Co., Ltd. (representing 2.05% of its share capital), the investment of RMB 50 million in Nanyang Country Bank Co., Ltd. (representing 10% of its share capital) and the investment of RMB 50 million in Hawtai Auto Finance Co., Ltd. (representing 10% of its share capital).

III. Issuance of Capital Instruments

(I) Issuance of subordinated bonds in 2009

As approved by the *Approval of CBRC to Issuance of Subordinated Bonds by China Bohai Bank* (Yin Jian Fu [2009] No.254) and the *Decision of Administrative Permits Granted by the People's Bank of China* (Yin Shi Chang Zhun Yu Zi [2009] No.51) on 4 September 2009, the Bank issued the 10-year fixed-rate subordinated bonds of RMB 1.2 billion in aggregate on the interbank market, with an annual coupon rate of 5.3% for the first 5 years and redemption right exercisable by the issuer at the end of the fifth year. The Bank redeemed the subordinated bonds on 8 September 2014.

(II) Issuance of subordinated bonds in 2010

As approved by the *Approval of CBRC to Issuance of Subordinated Bonds by China Bohai Bank* (Yin Jian Fu [2010] No.408) and the *Notice of Administrative Permits Granted by the People's Bank of China* (Yin Shi Chang Zhun Yu Zi [2010] No.47) on 27 October 2010, the Bank issued the 10-year fixed-rate subordinated bonds of RMB 1.0 billion in aggregate on the interbank market, with an annual coupon rate of 5.6% for the first 5 years and redemption right exercisable by the issuer at the end of the fifth year. The Bank will redeem the subordinated bonds on 28 October 2015.

(III) Issuance of subordinated bonds in 2012

As approved by the *Approval of CBRC to Issuance of Subordinated Bonds by China Bohai Bank* (Yin Jian Fu [2012] No.115) and the *Decision of Administrative Permits Granted by the People's Bank of China* (Yin Shi Chang Zhun Yu Zi [2012] No.43) on 20 July 2012, the Bank issued two types of subordinated bonds of RMB 1.9 billion in aggregate on the interbank market. One was the 10-year fixed-rate subordinated bonds of RMB 950 million with an annual coupon rate of 5.50% for the first 5 years and redemption right exercisable by the issuer at the end of the fifth year, while the other was the 15-year fixed-rate subordinated bonds of RMB 950 million with an annual coupon rate of 5.68% for the first 10 years and redemption right exercisable by the issuer at the end of the tenth year.

(IV) Issuance of subordinated bonds in 2014

As approved by the *Approval of CBRC to Issuance of Subordinated Bonds by China Bohai Bank* (Yin Jian Fu [2014] No.536) and the *Notice of Administrative Permits Granted by the People's Bank of China* (Yin Shi Chang Zhun Yu Zi [2014] No.156) on 23 October 2014, the Bank issued the 10-year fixed-rate tier-2 capital bonds of RMB 3.1 billion in aggregate on the interbank market, and with the approval of the relevant regulatory authorities, it may redeem all or part of the tier-2 capital bonds at par value on the last day of the fifth interest-generating year. The issuance of the bonds was conducted through open bidding, with an annual coupon rate of 6.1%.

(V) Issuance of subordinated bonds in 2015

As approved by the *Approval of CBRC to Issuance of Subordinated Bonds by China Bohai Bank* (Yin Jian Fu [2015] No.346) and the *Decision of Administrative Permits Granted by the People's Bank of China* (Yin Shi Chang Zhun Yu Zi [2015] No.122), the Bank issued the 10-year fixed-rate tier-2 capital bonds of RMB 9.0 billion in aggregate on the interbank market on 19 June 2015, and with the approval of the relevant regulatory authorities, it may redeem all or part of the tier-2 capital bonds at par value on the last day of the fifth interest-generating year. The issuance of the bonds was conducted through open bidding, with an annual coupon rate of 5.15%.

China Bohai Bank Co., Ltd.

24 November 2015

Balance sheet

Prepared by China Bohai Bank Co., Ltd. 30 September 2015 (RMB10,000)

Assets	No.	Balance at the beginning of the year	Balance at the end of the period	Liabilities and shareholders' equity	No.	Balance at the beginning of the year	Balance at the end of the period
Assets:				**Liabilities:**			
Cash and bank deposits	1	48,743.75	61,115.95	Due to central bank	61	1,000,000.00	1,600,000.00
Balances with central bank	2	8,498,002.31	8,448,600.19	Due to banks and other financial institutions	62	19,538,018.92	24,130,161.73
Due from banks	3	1,473,884.21	598,955.64	Placements from banks and other financial institutions	63	346,764.28	797,917.90
Precious metals	4	-	-	Trading financial liabilities	64	-	-
Placements with banks and other financial institutions	5	688,465.41	663,961.73	Derivative financial liabilities	65	30,476.03	45,468.65
Assets purchased under resale agreements	6	7,214,907.68	3,418,746.63	Financial assets sold under repurchase agreements	66	1,357,863.53	896,671.32
Interest receivables	7	343,243.30	408,940.26	Customer deposits	67	35,449,293.38	41,049,146.26
Loans and advances to customers	8	20,536,125.34	26,373,689.99	Remittance outstanding and outward remittance	68	23,671.65	16,190.44
Less: allowance for impairment losses on loans	9	505,669.17	727,923.69	Salaries and wages payable	69	129,208.38	104,129.75
Loans and advances to customers, net	10	20,030,456.17	25,645,766.30	Tax payable	70	103,488.96	66,021.35
Trading financial assets	11	298,634.55	224,667.14	Interest payable	71	1,005,970.37	1,102,051.44
Derivative financial assets	12	12,839.87	23,669.61	Provisions	72	6,041.03	6,041.03
Available-for-sale financial assets	13	1,467,176.77	2,728,264.29	Debt securities in issue	73	2,591,000.39	4,490,369.86
Held-to-maturity investments	14	3,122,853.58	5,088,651.03	Deferred income tax liabilities	74		5,630.94
Investment receivables	15	22,924,151.64	30,647,512.09	Other liabilities	75	2,183,328.11	839,804.77
Long-term equity investment	16	-	5,000.00	**Total liabilities**	76	63,765,125.03	75,149,605.44
Investment properties	17	-	-	**Shareholders' equity:**			
Historical costs of fixed assets	18	405,823.37	430,181.97	Share capital	77	1,385,500.00	1,385,500.00
Less: allowance for accumulated depreciation and impairment losses	19	66,578.73	79,797.02	Capital surplus	78	9,262.91	34,293.86
fixed assets, net	20	339,244.64	350,384.95	Surplus reserve	79	157,646.67	157,646.67
Costs of intangible assets	21	78,599.48	80,638.30	General reserve for risk assets	80	849,573.86	849,573.86
Less: allowance for accumulated amortization and impairment losses	22	21,027.84	23,818.86	Retained earnings	81	547,645.89	547,645.89
Intangible assets, net	23	57,571.64	56,819.44	Profit for the year	82	-	476,117.66
Deferred income tax assets	24	126,436.48	132,067.42	**Total Shareholders' Equity**	83	2,949,629.33	3,450,777.94
Other assets	25	68,142.36	97,260.71				
Total Assets	26	66,714,754.36	78,600,383.38	**Total Liabilities and Shareholders' Equity**	84	66,714,754.36	78,600,383.38

Note: the period-end information was unaudited.

Income Statement

Prepared by China Bohai Bank Co., Ltd. 30 September 2015 (RMB10,000)

Item	No.	Total for the year
I. Operating income	1	1,354,849.01
Net interest income	2	1,116,192.45
Including: interest income	3	2,987,737.73
Interest expense	4	1,871,545.28
Net fee and commission income	5	250,398.01
Including: fee and commission income	6	263,463.89
Fee and commission expense	7	13,065.88
Net (loss) /gain on investments	8	7,469.81
(loss) /gain on changes of fair value	9	-2,434.69
Foreign exchange (loss)/gain	10	-9,440.22
Other operating income	11	-7,336.35
II. Operating expense	12	747,589.07
Business tax and surcharge	13	73,433.41
General and administrative expense	14	406,416.45
Including: staff costs	15	227,072.69
Business expenses	16	164,970.92
Depreciation expense	17	14,372.84
Impairment loss on assets	18	264,989.12
Other operating expense	19	2,750.09
III. Operating profit	20	607,259.94
Plus: non-operating income	21	753.76
Less: non-operating expenses	22	524.04
IV. Net income before tax	23	607,489.66
Less: income tax expense	24	131,372.00
V. Net income after tax	25	476,117.66

Note: the period-end information was unaudited.

I. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014 together with the relevant notes to the financial statements of the Company can be found on pages 71 to 176 of the annual report of the Company for the year ended 31 December 2012, pages 74 to 190 of the annual report of the Company for the year ended 31 December 2013 and pages 83 to 204 of the annual report of the Company for the year ended 31 December 2014. Please also see below the hyperlinks to the said annual reports:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0429/LTN20130429381.pdf;
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0429/LTN20140429324.pdf; and
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429201.pdf.

The unaudited consolidated financial statements of the Company for the periods ended 30 June 2012, 2013 and 2014 together with the relevant notes to the financial statements of the Company can be found on pages 15 to 44 of the interim report of the Company for the period ended 30 June 2013, pages 15 to 44 of the interim report of the Company for the period ended 30 June 2014 and pages 20 to 52 of the interim report of the Company for the period ended 30 June 2015. Please also see below the hyperlinks to the said interim reports:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0926/LTN20130926158.pdf;
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0926/LTN20140926257.pdf; and
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0924/LTN20150924236.pdf.

The Company, a specialized corporation affiliated to CS Company, is an international diversified enterprise mainly involved in container liner services and other related services. The Company was established in 1997, with head office in Shanghai, the PRC, and is listed both in Hong Kong and Shanghai. The business scope of the Company includes container transportation, vessel chartering, cargo canvassing and booking, customs clearance, storage, depot services, container construction, repair, sales, purchase, vessel management and other related domains. Set out below is the management discussion and analysis of the Group's operations for the three years ended 31 December 2014 and the first half of 2015. The information set out below is principally extracted from the "Management Discussion and Analysis" section of the relevant annual reports and interim report of the Group to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials were prepared prior to the Acquisition and speak as of the date they were originally published. The Group's prospects and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

1. THE FIRST HALF OF 2015

a. Review on overall operational performance

In the first half of 2015, in response to the complex and changing market conditions, the Company managed to achieve remarkable results by entering on "large vessels, new trade lanes, new network" and vigorously implementing each operating measure.

Thanks to the enhanced restructuring of shipping capacity, fleet optimization brought good effect. In the first half of the year, the Company completed in taking delivery of all five 19,100TEU new vessels and made reasonable operation arrangement for the vessels. In the meantime, the Company pressed ahead with the disposal of old vessels, speeded up the surrender of outdated vessels and acquired special vessels to replenish its fleet to better cater for market demand. As at 30 June 2015, the Company had a total operating capacity of 909,000TEU indicating further enhancement in the core competence of its fleet.

As a result of enhanced service quality improvement and increased marketing efforts, high value added cargoes and cargoes from direct customers saw noticeable increases. The Company has always regarded service quality as the cornerstone for cooperation with customers, striving to build high-quality trade lanes through focusing on customer demand and innovating marketing ideas. In addition, the Company managed to offer more specialized services to customers of different sectors, improving service quality at every tiny point and satisfying customers' differentiated needs for trade lane products and services. While improving service quality, the Company also increased its marketing efforts targeted at customers. Thanks to these efforts, both the contracted volume from direct customers and high value added cargoes increased significantly in the first half of the year.

Cost advantage was achieved through strengthening cost control. In the first half of the year, amid a weak market recovery, the Company firmly stuck to the idea that "cost is the core competitiveness" and continued to increase cost control efforts, thus improving its cost competitiveness. In particular, by strengthening energy-saving technical transformation and monitoring over vessel fuel consumption, the Company achieved a considerable reduction in fuel costs which accounted for a large proportion of its operating costs. In the first half of the year, while the shipping capacity of the Company's fleet has increased, fuel consumption and fuel costs were lowered.

Supply chain integration strategy was strengthened and diversified development achieved a breakthrough. In the first half of the year, the Company further enhanced its strategic cooperation with China Railway Corporation* (中國鐵路總公司) to further promote sea-rail operations across the country, with the loaded container volume of railway transportation increasing by 60%. Meanwhile, the Company continued to increase its efforts in building extended onshore services by refining trailer management and standardizing operating procedures, with an aim to enhance the competitiveness and coverage of the extended services.

In addition, the Company continued to promote the setting up of e-commerce platform for shipping services. In the first half of the year, the Company launched three products on the "eshippinggateway" platform, namely, domestic shipping booking, European pickup services, Sino-Brazil express. The Company's loading ports substantially cover all the major ports across the country.

b. Financial review

In the first half of 2015, the Group's loaded container volume amounted to 3,991,098TEU, increasing by 1.0% as compared with the same period of 2014, and revenue was RMB15,991,418,000, representing a decrease of RMB1,415,416,000 or 8.1% as compared with the same period of 2014.

Loaded container volume by trade lanes

Principal Markets	**1H 2015** *(TEU)*	**1H 2014** *(TEU)*	**Change**
Pacific trade lanes	614,021	649,140	(5.4%)
Europe/Mediterranean trade lanes	743,647	760,273	(2.2%)
Asia Pacific trade lanes	1,045,293	931,621	12.2%
China domestic trade lanes	1,555,947	1,562,384	(0.4%)
Other trade lanes	32,190	49,869	(35.5%)
Total	3,991,098	3,953,287	1.0%

Breakdown of revenue

Principal Markets	**1H 2015** *(RMB'000)*	**1H 2014** *(RMB'000)*	**Change**
Pacific trade lanes	4,711,005	4,473,300	5.3%
Europe/Mediterranean trade lanes	3,645,219	4,402,181	(17.2%)
Asia Pacific trade lanes	3,074,579	2,968,948	3.6%
China domestic trade lanes	2,248,362	2,885,645	(22.1%)
Other trade lanes	773,628	446,823	73.1%
Logistic and other businesses	1,538,625	2,229,937	(31.0%)
Total	15,991,418	17,406,834	(8.1%)

In the first half of 2015, the Group flexibly adjusted shipping capacity allocated to domestic and international lanes based on market demand, while consolidating its domestic market share. As such, the freight volume of international lanes increased by 1.9% as compared to the corresponding period of last year, while the freight volume of domestic lanes decreased by 0.4% as compared to the corresponding period of last year. Due to the factors above, during the six months ended 30 June 2015 (the "Period"), the loaded container volume of the Group amounted to 3,991,098TEU, representing an increase of 1.0% as compared to the corresponding period of 2014.

As the imbalance between supply and demand remained severe during the Period, the freight rates for international trade lanes bumped up and down and towards a downward trend while the freight rates for domestic trade lanes continued to decline. As a result, the Group recorded a revenue of RMB15,991,418,000 for the Period, representing a decrease of 8.1% as compared with the same period of 2014.

Cost analysis

For the first half of 2015, the Group's operational costs totalled RMB15,431,426,000, representing a decrease of RMB2,091,592,000 or 11.9% as compared with the same period of 2014.

The change in operational costs was due to the following reasons:

- During the Period, container and cargo costs amounted to RMB5,942,680,000, representing a decrease of 9.2% as compared with the same period of last year. The decrease was mainly due to the decrease in container stevedore charges standing to accounts during the Period as a result of partial port calls adjusted for international trade lanes as well as the sharp depreciation in non-US dollars against US dollars; meanwhile, the Company has significantly lowered container management and operation fee and empty container storage and allocation costs by further optimizing transhipment routes and controlling inland cargo.

- Vessel and voyage costs for the Period amounted to RMB5,150,315,000 representing a decrease of 10.7% as compared with the same period of last year, mainly due to decrease in fuel costs under the combined effect of the reduction in international oil prices and the Company's continued effort to reinforce fuel saving measures.

- During the Period, the costs of logistics and other businesses amounted to RMB1,464,410,000, representing a decrease of 28.7% as compared with the same period of last year. The decrease was mainly due to sharp declines in international oil prices this year which resulted in a decrease in the procurement costs of CSSP, a subsidiary of the Company.

- During the Period, sub-route and other costs amounted to RMB2,874,021,000, representing a decrease of 8.9% as compared with the same period of last year, mainly due to the decrease in inland freight volume as a result of depressed domestic route market.

Liquidity, financial resources and capital structure

The Group's principal sources of liquidity are the operating cash inflow and short-term bank borrowings. The Group's cash is mainly used in operation cost expenses, repayment of loans, construction of new vessels and the purchase of containers. During the Period, the Group's net operating cash inflow was RMB854,203,000. As at 30 June 2015, the Group's cash balance in banks was RMB8,005,395,000.

As at 30 June 2015, the Group's total bank borrowings were RMB22,745,440,000. The maturity profile is spread over a period between 2015 to 2027 with RMB8,217,757,000 repayable within one year, RMB3,446,837,000 repayable within the second year, RMB7,127,128,000 repayable within the third to the fifth year, and RMB3,953,718,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the construction of vessels.

As at 30 June 2015, the Group's long-term bank borrowings were secured by mortgages over certain container vessels and vessels under construction with a book value of RMB9,946,363,000 (as at 31 December 2014: RMB8,344,784,000).

As at 30 June 2015, the Group's obligations under finance leases amounted to RMB18,031,000, with maturity profile ranging from 2015 to 2019. The amount repayable within one year is RMB7,779,000, the amount repayable within the second year is RMB8,250,000, the amount repayable within the third to the fifth year is RMB2,002,000. All the Group's obligations under the finance leases are used in the lease of new containers.

As at 30 June 2015, the Group's bonds payable in ten-year period amounted to RMB1,795,206,000, and all proceeds raised from the bonds were used in the construction of vessels. The issuance of such bonds is guaranteed by Bank of China, Shanghai branch. The Group's RMB borrowings at fixed interest rates amounted to RMB600,000,000. USD borrowings at fixed interest rates amounted to USD194,747,000 (equivalent to RMB1,190,605,000) and USD borrowings at floating interest rates amounted to USD3,427,577,000 (equivalent to RMB20,954,835,000). The Group's borrowings are settled in RMB or US dollars while its cash and cash equivalents are also primarily denominated in RMB and US dollars.

It is expected that capital needs for regular cash flow and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

Gearing ratio

As at 30 June 2015, the gearing ratio of the Group (i.e. the ratio of net interest-bearing financial liabilities less cash and cash equivalents over total equity) was 66.5%, which is higher than that of 59.4% as at 31 December 2014. The increase was primarily due to the increase of interest-bearing financial liabilities during the Period.

Foreign exchange risk and hedging

Most of the Group's revenues and operating expenses are settled or denominated in US dollars. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange loss of RMB15,033,000 which was mainly due to fluctuations of the US dollar and Euro exchange rates and the exchange difference which was charged to equity amounted to RMB5,288,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

Capital commitment

As at 30 June 2015, the Group had no capital commitments which had been contracted but not provided for and which had been authorised by the Board but not contracted for, in relation to vessels under construction, and there was no equity investment commitment for the Period. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers, were RMB272,768,000 and RMB7,646,356,000, respectively.

Subsequent events

On 29 July 2015, CS Container HK, a wholly-owned subsidiary of the Company, entered into the shipbuilding contracts with the builders, pursuant to which CS Container HK agreed to purchase eight vessels (each container vessel with a capacity of 13,500TEU). The aggregate consideration payable for such vessel acquisition under the shipbuilding contracts is US$934,400,000 (equivalent to approximately RMB5,713,856,000).

Contingent liability

As at 30 June 2015, the Group had a provision of RMB25,000,000 for legal claims. The provision was related to legal claims brought against the Group by customers of the Group. After taking appropriate legal advice, the Board is of the view that the outcome of the legal claims should not give rise to any significant loss beyond the amounts provided for as at 30 June 2015.

Purchase, sale or redemption of listed securities of the company

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Interim dividends

The Board does not recommend the payment of an interim dividend for the Period (2014: nil).

Employees, training and benefits

As at 30 June 2015, the Group had 7,683 employees (of which 3,805 were outsourced labor employees). Total staff expenses during the Period amounted to approximately RMB918,563,000 (including outsourced employee costs).

Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has also adopted a performance-based discretionary incentive scheme for its employees. The scheme links the employees' financial benefits directly with certain business performance indicators. Such indicators may include, but not limited to, profit target of the Group.

Details of such performance-based discretionary incentive scheme vary among the employees of the Group. The Group sets out certain performance indicators for each of its subsidiary to achieve. Each subsidiary has the discretion to formulate in detail its own performance-based remuneration policies according to its own circumstances.

The Group adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and share-based payments, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the rights is recognised as an expense or income of the Group. The directors of the (other than the independent non-executive Directors), the supervisors (other than the independent supervisors), the senior management, the head person in charge of the operational and management departments, the general managers and deputy general managers of the Company's subsidiaries and others might in the future be entitled to the compensation in the form of cash payment, which is calculated based on the appreciation in the price of the Group's H share from the date of grant to the date of exercising the rights.

The Group has put in place various trainings for its staff, including Safety Management Systems (SMS) training for the crewing department as well as management training for mid-to-high level management staff.

2. 2014

a. Review on overall operational performance

For the year ended 31 December 2014, the Group recorded a revenue of RMB36,077,425,000, representing an increase of 6.4% as compared with 2013; profit before income tax from continuing operations was RMB1,577,524,000; profit attributable to owners of the parent amounted to RMB1,044,036,000. Loaded cargo volume for the whole year amounted to 8,093,428TEU, representing a decrease of 1.2% as compared with 2013. For the year ended 31 December 2014, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,228, representing an increase of 1.1% as compared with 2013, which was primarily due to the recovery of and increased demand in international trade lanes in 2014. However, due to demand-supply imbalance, freight rates across various trade lanes showed a mixed performance, and the overall growth in freight rates was insignificant. Average freight rate per TEU for domestic trade lanes amounted to RMB1,824, representing an increase of 3.3% as compared with the corresponding period of 2013, which was mainly due to the continued effort of CSCL on the reform and adjustment of domestic trade lanes to secure high-value contracts.

As at 31 December 2014, the total shipping capacity of the Group amounted to 726,613TEU, representing an increase of 19% as compared with 2013.

b. Financial review

Revenue

The revenue of the Group increased by RMB2,160,068,000, from RMB33,917,357,000 in 2013 to RMB36,077,425,000 in 2014, representing an increase of 6.4%. The increase in revenue was primarily due to a combination of influence of the following elements:

Decrease in volume of loaded cargoes

The volume of loaded cargo in 2014 amounted to 8,093,428TEU, representing a decrease of 1.2% as compared with 2013. Among which, cargo volume of international trade lanes grew by 5.5% as compared with the corresponding period of last year, primarily due to the Company inputting more resources in international trade lane capacity and increasing loading rate in 2014. Cargo volume of domestic trade lanes decreased by 10% as compared with the corresponding period of 2013, primarily due to the change in marketing strategy of the Company of abandoning some low-value customers.

Increase in freight rates

Increase in freight rates was primarily due to the recovery of and increased demand in international trade lanes in 2014. However, due to demand-supply imbalance, freight rates across various trade lanes showed a mixed performance, and the overall growth in freight rates was insignificant. Average freight rate per TEU for domestic trade lanes amounted to RMB1,824, representing an increase of 3.3% as compared with the corresponding period of 2013, which was mainly due to the continued effort of CSCL on the reform and adjustment of domestic trade lanes to secure high-value contracts.

Below is an analysis of loaded container volume by trade lanes:

Main markets	**2014** *(TEU)*	**2013** *(TEU)*	**Changes** *(%)*
Pacific trade lanes	1,294,372	1,347,236	-3.9%
Europe/Mediterranean trade lanes	1,485,078	1,436,438	3.4%
Asia Pacific trade lanes	2,048,654	1,808,098	13.3%
China domestic trade lanes	3,164,825	3,518,608	-10.1%
Others	100,499	80,824	24.3%
Total	8,093,428	8,191,204	-1.2%

Details of income

Main markets	2014 (RMB'000)	2013 (RMB'000)	Changes (%)
Pacific trade lanes	9,366,710	9,847,162	-4.9%
Europe/Mediterranean trade lanes	8,921,941	7,836,977	13.8%
Asia Pacific trade lanes	6,777,882	5,846,905	15.9%
China domestic trade lanes	5,772,195	6,213,860	-7.1%
Others	1,064,590	727,804	46.3%
Total	31,903,318	30,472,708	4.7%

Costs of services

In 2014, total costs of services amounted to RMB34,839,333,000, representing a decrease of 3.2% as compared with the corresponding period of 2013. As a result of continued cost control, costs of services per TEU was RMB4,000, representing a decrease of 5.4% as compared with the corresponding period of 2013.

The decrease in the costs of services was due to the following reasons:

- Container and cargo costs increased from RMB13,012,779,000 in 2013 to RMB13,260,260,000 during the Period, representing an increase of 1.9% as compared with 2013 mainly due to the increase in the volume of loaded cargoes for long trade lanes. Among which, port costs amounted to RMB2,024,402,000, representing an increase of 2.8% as compared with the same period of 2013. The Group's stevedore charges for loaded and empty containers amounted to RMB7,642,034,000, which basically remained the same as 2013. Container management costs amounted to RMB3,593,823,000, representing an increase of 4.7% as compared with the corresponding period of 2013, which was mainly due to an increase in loaded cargo volume for international trade lanes, and an increase in container costs as a result of repositioning empty containers.

- Vessel and voyage costs decreased from RMB13,556,045,000 in 2013 to RMB11,340,282,000 for the Period, representing a decrease of 16.3% as compared with the corresponding period of 2013, mainly due to the decrease in fuel costs. During the Period, fuel costs amounted to RMB6,850,509,000, representing a decrease of 22.7% as compared with the corresponding period of 2013. The decrease in fuel costs was due to the Company strengthening its fuel saving measures, as fuel consumption fell by 15.8% as compared with the corresponding period of 2013. On the other hand, the sharp fall in oil prices in the fourth quarter of 2014 and the adding of ports with fuel refill facilities at low prices also caused a decrease in oil price of 8.2% as compared with the same period of last year.

- Sub-route and other costs decreased from RMB6,496,280,000 in 2013 to RMB6,246,350,000 in 2014 during the Period, representing a decrease of 3.8% as compared with 2013. The decrease was mainly due to the optimization of transship and reduction of inland cargo contracts.

- During the Period, the costs of logistics and other businesses was RMB3,992,442,000, representing an increase of 33.0% as compared with 2013. The increase in costs was primarily due to the inclusion of fuel costs of CSSP, which increased by 82% from RMB1,351,247,000 in 2013 to RMB2,465,184,000. CSSP was established in 2012. Since the second half of 2013, its revenue recognition model was changed from recognition of differences (applicable to agency industry) to recognition of total amount (applicable to service industry) due to the amendments of contract terms.

Gross profit

Due to the above reasons, the Group recorded a gross profit of RMB1,238,092,000 in 2014 (2013: gross loss RMB2,086,858,000).

Income tax

From 1 January 2014 to 31 December 2014, the corporate income tax rate applicable to the Company and its subsidiaries in the PRC was 25%.

Pursuant to relevant new corporate income tax regulations, the profits derived from the Company's offshore subsidiaries shall be subject to applicable corporate income tax when dividends were declared by such offshore subsidiaries. The Company uses an applicable tax rate according to relevant corporate income tax regulations to pay corporate income tax on profits of the offshore subsidiaries.

Selling, administrative and general expenses

For the year ended 31 December 2014, the Group's selling, administrative and general expenses were RMB963,275,000, representing an increase of 5% as compared with 2013. This was primarily due to the increase in office lease.

Other gains

For the year ended 31 December 2014, other gains of the Group was RMB898,527,000, representing an increase of RMB764,550,000 as compared with 2013. The significant increase was mainly due to gains from disposal of subsidiaries.

Profit/loss attributable to owners of the parent

Due to the above reasons, the profit attributable to owners of the parent for the year 2014 was RMB1,044,036,000, representing an increase of RMB3,654,134,000 as compared with loss attributable to owners of the parent of RMB2,610,098,000 in 2013.

Liquidity, financial sources and capital structure

The Group's principal sources of working capital are the operating cash inflow and bank borrowings. Cash is mainly used for costs of finance services, new vessels construction, purchase of containers, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December 2014, the Group's total bank and shareholder borrowings were RMB22,153,905,000. The maturity profile is spread over a period between 2015 and 2026 with RMB8,690,651,000 repayable within one year, RMB2,734,020,000 repayable within the second year, RMB7,371,352,000 repayable within the third to the fifth year and RMB3,357,882,000 repayable after the fifth year. The Group's long-term bank and shareholder borrowings are mainly used to finance the construction of vessels and ports.

As at 31 December 2014, the Group's long-term bank borrowings were secured by mortgages over certain containers and container vessels with a total book value of RMB8,344,784,000 (as at 31 December 2013: RMB5,942,678,000).

As at 31 December 2014, the Group's bonds payable in ten-year period amounted to RMB1,793,981,000 (as at 31 December 2013: RMB1,791,530,000), all proceeds from the bonds were used in the construction of vessels. The bonds were issued with a guarantee provided by the Bank of China, Shanghai branch.

As at 31 December 2014, the Group's RMB borrowings at fixed interest rate amounted to RMB600,000,000, with annual interest rate of 3.60%. USD borrowings at fixed interest rates amounted to RMB613,980,000, with annual interest rates ranging from 1.24% to 4.9% and USD borrowings at floating interest rates amounted to RMB20,939,925,000, with annual interest rates adjusted based on London Interbank Offered Rate. The Group's borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December 2014, the Group's obligations under finance leases amounted to RMB187,259,000, with the maturity profile ranging from 2015 to 2019. The amount repayable within one year is RMB36,978,000; the amount repayable within the second year is RMB39,208,000; and the amount repayable within the third to the fifth year is RMB111,073,000. The Group's obligations under the finance leases are used in the lease of containers and transportation equipment.

Net current assets

As at 31 December 2014, the Group's net current assets amounted to RMB72,970,000. Current assets are mainly comprised of fuel inventories of RMB1,185,498,000, trade and notes receivables of RMB2,384,511,000, prepayments and other receivables of RMB401,953,000, derivative financial instruments of RMB697,000 and cash and bank deposits and restricted deposits of RMB9,356,388,000. Current liabilities mainly consist of trade payables of RMB3,825,897,000, accrual and other payables of RMB658,358,000, current income tax liabilities of RMB19,193,000, short-term bank loans of RMB1,407,370,000, commercial bills of RMB2,447,600,000, long-term bank borrowings due in one year of RMB4,835,681,000, finance lease obligations payable in one year of RMB36,978,000 and provisions of RMB25,000,000.

Cash flows

For the year 2014, the Group's net cash inflow generated from operating activities was RMB2,713,088,000, denominated principally in RMB and USD, representing an increase of RMB3,857,273,000 from net cash outflow used in operating activities of RMB1,144,185,000 in 2013. Cash and cash equivalents balances at the end of 2014 decreased by RMB246,916,000 as compared with the corresponding period of 2013, mainly reflecting the net cash generated from operating activities and the net cash generated from financing activities was less than the net cash outflow used in investment activities. The cash generated from financing activities of the Group during year 2014 was mainly derived from bank borrowings, and the above-mentioned funds were used mainly for the purposes of short-term business and purchase and construction of vessels and containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2014 and 2013:

Unit: RMB

	2014	**2013**
Net cash generated from/(used in) operating activities	2,713,088,000	(1,144,185,000)
Net cash used in investing activities	(5,859,325,000)	(1,858,206,000)
Net cash generated from financing activities	2,901,559,000	3,937,225,000
Exchange losses on cash	(2,238,000)	(163,000,000)
Net (decrease)/increase in cash and cash equivalents	(246,916,000)	771,834,000

Net cash generated from operating activities

For the year ended 31 December 2014, the net cash inflow generated from operating activities was RMB2,713,088,000, representing an increase of RMB3,857,273,000 as compared with the net outflow of RMB1,144,185,000 for the year 2013. As compared with the corresponding period of 2013, the increase in the net cash generated from operating activities of the Group was attributable to the improvement in revenue and the Group's operating profit margin in 2014.

Net cash used in investing activities

For the year ended 31 December 2014, net cash outflow used in investing activities was RMB5,859,325,000, representing an increase of RMB4,001,119,000 from the net cash outflow for the year 2013 of RMB1,858,206,000. It was primarily due to the Group's increased investment expenditure in vessel construction in 2014.

Net cash generated from financing activities

For the year ended 31 December 2014, net cash generated from financing activities was RMB2,901,559,000, representing a decrease of RMB1,035,666,000 as compared with the net cash generated from financing activities of RMB3,937,225,000 in 2013. For the year 2014, the Group's bank borrowings amounted to RMB11,636,482,000, repayment of bank borrowings amounted to RMB8,151,048,000 and repayment of principal of finance leases amounted to RMB34,111,000.

Average turnover days of trade receivables

As at 31 December 2014, the gross balance of trade and notes receivables by the Group amounted to RMB2,384,511,000, representing a decrease of RMB91,891,000 as compared with 31 December 2013, which was mainly due to the Company speeding up in bill processing and freight rate collection. The balance of trade receivables from related parties amounted to RMB333,418,000, representing a decrease of RMB5,496,000 as compared with 31 December 2013.

Gearing ratio

As at 31 December 2014, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 59.4%, which was higher than 49.3% as at 31 December 2013. The increase in gearing ratio was mainly due to the increase in financing which has led to an increase in interest-bearing liabilities.

Foreign exchange risk and hedging

Most of the revenue of the Company is settled in USD. The Group recorded a net exchange loss of RMB30,530,000, which was mainly due to fluctuations of the US dollar and Euro exchange rates and the exchange difference which was charged to shareholders' equity amounted to RMB10,724,000. The Company will continue to watch closely the exchange rate fluctuation between RMB and major international currencies for settlement, convert net foreign cash inflows from operating activities into RMB in a timely manner so as to minimize the losses brought by foreign exchange rate fluctuations and take appropriate measures where necessary to reduce its foreign exchange risk.

Capital expenditure

For the year ended 31 December 2014, the Group's expenditures on the purchase of container vessels and vessels under construction amounted to RMB4,993,634,000, expenditures on purchase of containers amounted to RMB838,928,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB76,728,000 and expenditures on equity investments amounted to RMB506,983,000.

Commitments

As at 31 December 2014, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB1,755,168,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB305,444,000 and RMB8,855,677,000, respectively.

Contingent liabilities

As at 31 December 2014, the Group had provisions of RMB25,000,000 credited as legal claim. Apart from this, the Group had no other contingent liabilities.

Employees, training and benefits

As at 31 December 2014, the Group had a total of 8,213 employees. During the Period, total staff expenses were approximately RMB1,843,894,000.

Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has also adopted a performance based discretionary incentive scheme for its employees. The scheme links the employees' financial benefits directly with certain business performance indicators. Such indicators may include, but not limited to, profit target of the Group.

Details of such performance-based discretionary incentive scheme vary among the employees of the Group. The Group currently sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate in detail its own performance-based remuneration policies according to its own circumstances.

The Group has adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and is share based, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the rights is recognised as an expense or income of the Group. According to the H Share Share Appreciation Rights Scheme, the senior management of the Company, heads of operation and management divisions of the Company, and the general managers and deputy general managers of the Company's subsidiaries and others might in the future be entitled to the compensation in the form of cash payment, which is calculated based on the appreciation in the price of the Group's H share from the date of grant to the date of exercising the rights.

The Group has organized and implemented various trainings for our internal employees, including trainings on Safety Management System (SMS) for crew management division and management courses for middle and senior leaders.

3. 2013

a. Review on overall operational performance

For the year ended 31 December 2013, the Group's continuing operations recorded a revenue of RMB33,917,357,000, representing an increase of 2.8% as compared with 2012; loss from continuing operations before income tax was RMB2,828,387,000; loss attributable to equity holders of the Company amounted to RMB2,610,098,000. Loaded cargo volume for the whole year amounted to 8,191,204TEU, representing an increase of 2.0% as compared with 2012. For the year ended 31 December 2013, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,172, representing a decrease of 13.5% as compared with 2012, which was primarily due to the weak demand for international trade lanes in 2013. As a result of the widening demand-supply gap, the overall freight rates of main trade lanes were lower than 2012. Average freight rate per TEU for domestic trade lanes amounted to RMB1,766, representing an increase of 6.6% as compared with the corresponding period of 2012, which was mainly due to an increase in the extended services of the domestic transportation industry.

As at 31 December 2013, the total shipping capacity of the Group amounted to 610,642TEU, representing an increase of 2.6% as compared with 2012.

b. Revenue (continuing operations)

The revenue of the Group's continuing operations increased by RMB919,433,000, from RMB32,997,924,000 in 2012 to RMB33,917,357,000 in 2013, representing an increase of 2.8%. The change in revenue was primarily due to:

Increase in volume of loaded cargoes

	2013 *(TEU)*	**2012** *(TEU)*	**Changes** *(%)*
Pacific trade lanes	1,347,236	1,313,915	2.5
Europe/Mediterranean trade lanes	1,436,438	1,367,765	5.0
Asia Pacific trade lanes	1,808,098	1,634,489	10.6
China domestic trade lanes	3,518,608	3,649,670	-3.6
Others	80,824	64,589	25.1
Total	8,191,204	8,030,428	2.0

The volume of loaded cargo in 2013 amounted to 8,191,204TEU, representing an increase of 2.0% as compared with 2012. Among which, cargo volume of foreign trade lanes grew by 6.7% as compared with the corresponding period of last year, primarily due to the Company inputting more resources in foreign trade lane capacity in 2013. Cargo volume of domestic trade lanes decreased by 3.6% as compared with the corresponding period of 2012, primarily due to the Company optimizing its domestic trade network and relatively reducing its domestic trade lanes capacity.

Below is an analysis of loaded container volume by trade lanes:

Details of income

	2013 *(RMB'000)*	**2012** *(RMB'000)*	**Changes** *(%)*
Pacific trade lanes	9,847,162	10,671,520	-7.7
Europe/Mediterranean trade lanes	7,836,977	8,803,867	-11.0
Asia Pacific trade lanes	5,846,905	6,136,979	-4.7
China domestic trade lanes	6,213,860	6,048,334	2.7
Other trade lanes	727,804	897,868	-18.9
Logistics and other income	3,444,649	439,356	684.0
Total	33,917,357	32,997,924	2.8

Decrease in transportation income (continuing operations)

Although there was increase in the overall cargo volume in 2013, the constant fall in freight rates of international trade lanes attributed to the decrease in the Company's transportation income by RMB1,984,711,000 as compared with the corresponding period of 2012, representing a decrease of 6.3%.

Decrease in freight rates

In 2013, the Group's average freight rate per TEU was RMB3,709, representing a decrease of 7.6% as compared with the corresponding period of 2012. Among which, average freight rate per TEU for foreign trade lanes was RMB5,172, representing a decrease of approximately 13.5% as compared with 2012, mainly because freight rates in 2013 were significantly lower than that of 2012 due to weak demand in the international container shipping market in 2013. The average freight rate of domestic trade lanes amounted to RMB1,766, representing an increase of RMB109 as compared with the corresponding period of 2012, mainly due to an increase in extended services of the domestic transportation industry.

Increase in logistics and other income

In 2013, the Group's income for logistics and other services increased by RMB3,005,293,000, from RMB439,356,000 in 2012 to RMB3,444,649,000 in 2013, representing an increase of 684.0%. The increase was primarily due to the Group's subordinated enterprises dedicating their efforts in expanding the provision of the extended logistics and other supply services. In 2013, the service method was fully updated and management believes that the subordinated enterprises have fully undertaken the risk of the income and costs of the services they provide. The income recognition method should be adjusted from the previous differential recognition method of the agency industry to the gross amount recognition method of the sales and servicing industry.

Costs of services (continuing operations)

In 2013, total costs of services arising from continuing operations amounted to RMB36,004,215,000, representing an increase of 7.6% as compared with the corresponding period of 2012. Among which, operating costs of trade lanes was RMB32,572,185,000, which basically remained the same as compared with the corresponding period of 2012. Costs of services per TEU was RMB3,976, representing a decrease of 2.0% as compared with the corresponding period of 2012.

The increase in the costs of services of continuing operations was due to the following reasons:

- Container transportation costs amounted to RMB13,012,778,000 during the period, representing an increase of 7.8% as compared with 2012, mainly due to the increase in the volume of loaded cargoes for long trade lanes. Among which, port costs amounted to RMB1,970,054,000, which basically remained the same as 2012. The Group's stevedore charges for loaded and empty containers amounted to RMB7,212,988,000, representing an increase of 3.6% as compared with the corresponding period of 2012, which was mainly due to an increase in the volume of loaded cargoes for international trade lanes. Charges for repositioning empty containers and rental fees of containers, container management costs amounted to RMB3,829,736,000, representing an increase of 22.0% as compared with the corresponding period of 2012, which was mainly due to an increase in loaded cargo volume for foreign trade lanes.

- Vessel and voyage costs for the period amounted to RMB13,556,044,000, representing a decrease of 9.5% as compared with the corresponding period of 2012, mainly due to the decrease in fuel costs. During the period, fuel costs amounted to RMB8,862,109,000, representing a decrease of 13.6% as compared with the corresponding period of 2012. The decrease in fuel costs was due to the Company strengthening its fuel saving measures, as fuel consumption fell by 4.1% as compared with the corresponding period of 2012. On the other hand, the Company successfully locked certain fuel at reasonable prices and actively developed ports with fuel refill at low prices, average fuel prices fell by 9.9% as compared with the corresponding period of 2012.

- During the period, sub-route and other costs amounted to RMB6,496,281,000, representing an increase of 5.3% as compared with 2012. The increase was mainly due to the increase in door-to-door transportation services provided by the Group, which led to an increase in the sub-route shipping volume.

- During the period, the costs of logistics and other businesses was RMB2,939,112,000, representing an increase of 1,179.56% as compared with 2012. The increase in costs was primarily due to the Group's subordinated enterprises having updated its service method which led to a change in the cost recognition method during the period.

Gross loss (continuing operations)

Due to the above reasons, the Group's continuing operations recorded a gross loss of RMB2,086,858,000 in 2013 (2012: gross loss from continuing operations RMB462,858,000).

Income tax

From 1 January 2013 to 31 December 2013, the corporate income tax ("corporate income tax") rate applicable to the Company was 25%.

Pursuant to relevant new corporate income tax regulations, the profits derived from the Company's foreign subsidiaries shall be subject to applicable corporate income tax rates when dividends were declared by such foreign subsidiaries.

Selling, administrative and general expenses (continuing operations)

For the year ended 31 December 2013, the Group's selling, administrative and general expenses from continuing operations were RMB916,383,000, representing an increase of 2.6% as compared with 2012. This was primarily due to the Group conducting certain integration and system optimization of the information platform, causing office expenses to increase as compared with the corresponding period of 2012.

For the year ended 31 December 2013, other net gains of the Group's continuing operations was RMB133,977,000, representing a decrease of RMB1,077,838,000 as compared with 2012. The decrease mainly consisted of gains from the disposal of a proportion of containers owned by the Company last year.

Profits of discontinued operations

For the year ended 31 December 2013, the Group's profits from discontinued port business operations were RMB280,632,000, representing an increase of RMB141,122,000 as compared with 2012. The increase was mainly due to gains from disposal of interest in a subsidiary.

Profit/loss attributable to equity holders

Due to the above reasons, the loss attributable to the equity holders of the Group for the year 2013 was RMB2,610,098,000, representing an increase in net loss attributable to equity holders of the Group by RMB3,135,019,000 as compared with net profit attributable to the equity holders of the Group of RMB524,921,000 in 2012.

Liquidity, financial sources and capital structure

The Group's principal sources of working capital are the operating cash inflow and bank borrowings. Cash is mainly used for costs of services, new vessels construction, purchase of containers, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December 2013, the Group's total bank and shareholder borrowings were RMB18,937,326,000. The maturity profile is spread over a period between 2014 and 2026 with RMB8,020,195,000 repayable within one year, RMB7,067,374,000 repayable within the second year, RMB2,454,772,000 repayable within the third to the fifth year and RMB1,394,985,000 repayable after the fifth year. The Group's long-term bank and shareholder borrowings are mainly used to finance the construction of vessels and ports.

As at 31 December 2013, the Group's long-term bank borrowings were secured by mortgages over certain container vessels, port berths and depot facilities with a total book value of RMB5,942,678,000 (as at 31 December 2012: RMB6,033,486,000).

As at 31 December 2013, the Group's bonds payable in ten-year period amounted to RMB1,791,530,000 (as at 31 December 2012: RMB1,789,078,000), all proceeds from the bonds were used in the construction of vessels. The bonds were issued with a guarantee provided by the Bank of China, Shanghai branch.

As at 31 December 2013, the Group's RMB borrowings at fixed interest rates amounted to RMB2,600,000,000, with annual interest rates ranging from 3.60% to 5.02%. USD borrowings at fixed interest rates amounted to RMB375,122,000, with an annual interest rates of 4.9% and USD borrowings at floating interest rates amounted to RMB15,962,204,000, of which USD borrowings with annual interest rates adjusted based on London Interbank Offered Rate amounted to RMB13,523,444,000. Additionally, USD commercial bills amounted to RMB2,438,760,000, where the annual interest rate is determined at the time of each issue. The Group's borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December 2013, the Group's obligations under finance leases amounted to RMB221,370,000, with the maturity profile ranging from 2014 to 2019. The amount repayable within one year is RMB34,773,000; the amount repayable within the second year is RMB36,871,000; the amount repayable within the third to the fifth year is RMB112,937,000 and the amount repayable after the fifth year is RMB36,789,000. The Group's obligations under the finance leases are used in the lease of new containers.

Net current assets

As at 31 December 2013, the Group's net current assets amounted to RMB3,879,596,000. Current assets are mainly comprised of fuel inventories of RMB1,545,370,000, trade and notes receivables of RMB2,476,402,000, prepayments and other receivables of RMB375,245,000 and cash and bank deposits and restricted deposits of RMB9,016,562,000, assets held for sale of RMB4,169,566,000. Current liabilities mainly consist of trade payables of RMB3,890,379,000, accrual and other payables of RMB757,256,000, current income tax liabilities of RMB14,060,000, short-term bank loans of RMB1,707,132,000, commercial bills of RMB2,438,760,000, liabilities held for sale of RMB961,886,000, long-term bank borrowings due in one year of RMB3,874,303,000, finance lease obligations payable in one year of RMB34,773,000 and provisions of RMB25,000,000.

Cash flows

For the year 2013, the Group's net cash used in operating activities was RMB1,144,185,000, denominated principally in RMB and USD, representing an increase in outflow of RMB1,280,497,000 from net cash generated from operating activities of RMB136,312,000 in 2012. Cash and cash equivalents balances at the end of 2013 increased by RMB771,834,000 as compared with the corresponding period of 2012, mainly reflecting the net cash used in operating activities, the net cash generated from financing activities and the net cash used in investment activities. The net cash generated from financing activities of the Group during year 2013 was mainly derived from bank borrowings and issue of commercial bills, the above-mentioned funds were used mainly for the purposes of short-term business and purchase and construction of vessels, containers and port facilities.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2013 and 2012:

Unit: RMB

	2013	**2012**
Net cash generated from/(used in) operating activities	(1,144,185,000)	136,312,000
Net cash generated from/(used in) investing activities	(1,858,206,000)	1,391,750,000
Net cash generated from financing activities	3,937,225,000	233,437,000
Exchange losses on cash	(163,000,000)	(3,802,000)
Net increase in cash and cash equivalents	771,834,000	1,757,697,000

Net cash used in operating activities

For the year ended 31 December 2013, the net cash used in operating activities was RMB1,144,185,000, representing an increase in net cash outflow of RMB1,280,497,000 from the net cash generated for the year 2012 of RMB136,312,000, as compared with the corresponding period of 2012. The increase in the net cash used in operating activities of the Group was attributable to the decrease in the Group's operating profit margin in 2013.

Net cash used in investing activities

For the year ended 31 December 2013, net cash used in investing activities was RMB1,858,206,000, representing an increase in outflow of RMB3,249,956,000 from the net cash inflow generated for the year 2012 of RMB1,391,750,000. It was primarily due to the Group's increased investment expenditure in vessel construction and the absence of cash inflow generated from the disposal of a proportion of self-owned containers in 2013.

Net cash generated from financing activities

For the year ended 31 December 2013, net cash generated from financing activities was RMB3,937,225,000, representing an increase of RMB3,703,788,000 as compared with the net cash generated from financing activities of RMB233,437,000 in 2012. For the year 2013, Group's bank borrowings and commercial bills amounted to RMB19,589,402,000, repayment of bank borrowings and commercial bills amounted to RMB14,947,659,000 and repayment of principal of finance leases amounted to RMB126,648,000.

Average turnover days of trade and notes receivables

As at 31 December 2013, the gross balance of trade and notes receivables by the Group amounted to RMB2,544,757,000, representing an increase of RMB215,656,000 as compared with 31 December 2012, and the balance of trade receivables from related parties amounted to RMB345,561,000, representing a decrease of RMB39,671,000 as compared with 31 December 2012. It was primarily due to the increase in the Group's revenue by 2.8% in 2013 as compared with last year, which led to an increase in the balance of trade receivables as compared with the same period of last year.

Gearing ratio

As at 31 December 2013, the Group's net gearing ratio (i.e. net debts over shareholders' equity) was 49.3%, which was higher than 37.1% in the corresponding period of 2012. The increase in gearing ratio was mainly due to: on one hand, the increase in financing which has led to an increase in debt; on the other hand, loss during this year which reduced the Company's net assets. These factors both contributed to the increase in net gearing ratio.

Foreign exchange risk and hedging

Most of the revenue of the Group are settled in USD. The Group recorded a net exchange gains of RMB29,778,000, which was mainly due to fluctuations of the US and EU currency exchange rates and the exchange difference which was charged to shareholders' equity amounted to RMB147,475,000. The Company will continue to watch closely the exchange rate fluctuation between RMB and major international currencies for settlement, convert net foreign cash inflows from operating activities into RMB in a timely manner so as to minimize the losses brought by foreign exchange fluctuations and take appropriate measures where necessary to reduce its foreign exchange risk.

Capital expenditure

During the year ended 31 December 2013, the Group's expenditures on the purchase of container vessels and vessels under construction amounted to RMB2,003,841,000, expenditures on purchase of containers amounted to RMB578,068,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB58,181,000 and equity investments amounted to RMB305,077,000.

Commitments

As at 31 December 2013, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB6,492,589,000; contracted but not provided for and authorised but not contracted for investment commitments were RMB351,200,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB110,878,000 and RMB9,449,466,000, respectively.

Contingent liabilities

As at 31 December 2013, the Group had provisions of RMB25,000,000 credited as legal claim. Apart from this, the Group had no other contingent liabilities.

Employees, training and benefits

As at 31 December 2013, the Group had 4,338 employees and an additional 148 outsourced labor employees. In addition, the Group had entered into contracts with a number of subsidiaries of CS Company, pursuant to which these subsidiaries provided the Group with approximately 3,586 crew members in total who mainly worked on the Group's self-owned or bare boat chartered vessels. During the period, total staff expenses were approximately RMB1,833,937,000. Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has also adopted a performance-based discretionary incentive scheme for its employees. The scheme links the employees' financial benefits directly with certain business performance indicators. Such indicators may include, but not limited to, profit target of the Group.

Details of such performance-based discretionary incentive scheme vary among the employees of the Group. The Group currently sets out certain performance indicators for each of its subsidiaries to achieve. Each subsidiary has the discretion to formulate in detail its own performance-based remuneration policies according to its own circumstances.

The Group has adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and is share based, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the rights is recognized as an expense or income of the Group. According to the H Share Share Appreciation Rights Scheme, the senior management of the Company, heads of operation and management divisions of the Company, and the general managers and deputy general managers of the Company's subsidiaries and others might in the future be entitled to the compensation in the form of cash payment, which is calculated based on the appreciation in the price of the Group's H share from the date of grant to the date of exercising the rights.

The Group has organized and implemented various trainings for our internal employees, including trainings on Safety Management System (SMS) for crew management division and management courses for middle and senior leaders.

4. 2012

a. Review on overall operational performance

For the year ended 31 December 2012, the Group recorded a revenue of RMB32,551,070,000, representing an increase of 15.2% as compared with 2011; profit before income tax was RMB154,532,000; net profit attributable to equity holders of the Parent amounted to RMB524,921,000. Loaded cargo volume for the whole year amounted to 8,030,428TEU, representing an increase of 8.0% as compared with 2011. For the year ended 31 December 2012, the average freight rate per TEU for international trade lanes of the Group amounted to RMB5,845, representing an increase of 9.2% as compared with 2011. It was primarily due to a temporary recovery of international trade lanes market in 2012 as demand rose and freight rates of main trade lanes made seasonal recoveries. Average freight rate for domestic lanes was RMB1,586, representing a decrease of 4.0% as compared with 2011, which was primarily due to the domestic transportation industry being subject to value-added tax instead of business tax.

As at 31 December 2012, the total shipping capacity of the Group amounted to 594,991TEU, representing a decrease of 1.4% as compared with 2011.

b. Financial review

Revenue

The Group's revenue increased by RMB4,304,572,000, from RMB28,246,498,000 in 2011 to RMB32,551,070,000 in 2012, representing an increase of 15.2%. The increase in revenue was primarily due to:

Increase in volume of loaded cargoes

The volume of loaded cargoes in 2012 amounted to 8,030,428TEU, representing an increase of 8.0% as compared with 2011. It was primarily due to an increase in demand in both international and domestic trade lanes market. The Company adjusted capacity input in a timely manner and optimized network distribution and collaboration with other trade lanes. The loaded container volume for both domestic and foreign trade lanes presented certain increase.

Below is an analysis of loaded container volume by trade lanes:

Principal Markets	**2012**	**2011**	**Changes**
	(TEU)	*(TEU)*	*(%)*
Pacific trade lanes	1,313,915	1,238,811	6.1%
Europe/Mediterranean trade lanes	1,367,765	1,177,546	16.2%
Asia Pacific trade lanes	1,634,489	1,398,536	16.9%
China Domestic trade lanes	3,649,670	3,544,064	3.0%
Others	64,589	79,045	-18.3%
Total	8,030,428	7,438,002	8.0%

Increase in Freight Rates

The Group's average freight rate per TEU in 2012 amounted to RMB3,909, representing an increase of 8.9% as compared with 2011. Among which, the average freight rate per TEU for international trade lanes amounted to RMB5,845, representing an increase of approximately 9.2% as compared with 2011. In 2012, the container shipping market improved from market conditions in 2011. Market demand recovered temporarily as main trade lanes in Europe and America displayed seasonal recovery, leading to remarkable rebound in international freight rates as compared with the same period last year. Average freight rates for domestic lanes fell by RMB66 as compared with 2011 to RMB1,586, which was mainly due to the domestic transport industry being subject to value-added tax instead of business tax.

Costs of services

For the year ended 31 December 2012, total costs of services amounted to RMB32,791,753,000, representing an increase of 8.0% as compared with 2011. Due to the effective control of costs by the Group, costs of services per TEU was RMB4,083, which remained the same as 2011.

The increase in the costs of services was due to the following reasons:

- Container and cargo costs amounted to RMB11,230,690,000, representing an increase of 11.8% as compared with RMB10,049,046,000 for the same period of 2011, mainly due to the increase in the volume of loaded cargoes for long trade lanes. The port costs amounted to RMB1,974,880,000, representing an increase of 8.2% as compared with the corresponding period of 2011, primarily because of the increase in international trade lanes capacity. Due to an increase in the volume of loaded cargoes for international trade lanes, the Group's stevedore charges for loaded and empty containers amounted to RMB6,961,286,000, representing an increase of 15.1% as compared with the corresponding period of 2011. Due to an increase in loaded cargo volume for foreign trade lanes, charges for repositioning empty containers and rental fees of containers, the container management cost amounted to RMB2,294,524,000, representing an increase of 5.6% as compared with the corresponding period of 2011.

- As at 31 December 2012, vessel and voyage costs amounted to RMB14,985,642,000, representing an increase of 3.8% as compared with the corresponding period of 2011, mainly due to the increase in fuel costs. As at 31 December 2012, fuel costs amounted to RMB10,259,746,000, representing an increase of 9.5% as compared with the corresponding period of 2011. The increase in fuel costs was mainly due to the continuous increase in international crude oil price. The "fuel price lock-in" policy adopted in 2011 by the Group offset part of the effects from the increase in oil price.

- As at 31 December 2012, sub-route and other costs amounted to RMB6,575,421,000, representing an increase of 11.7% as compared with the corresponding period of 2011. The increase was mainly due to the increase in door-to-door transportation services provided by the Group, which led to an increase in the sub-route shipping volume.

Gross loss

Due to the above reasons, the Group recorded a gross loss of RMB240,683,000 in 2012 (2011: gross loss of RMB2,124,156,000).

Income tax expense

From 1 January 2012 to 31 December 2012, the corporate income tax ("corporate income tax") rate applicable to the Company was 25%. Under the new corporate income tax law, except for certain subsidiaries whose corporate income tax rates will increase gradually to 25% within 5 years from 2008 to 2012, the corporate income tax rates for other subsidiaries have been changed to 25% since 1 January 2008.

Pursuant to relevant new corporate income tax regulations, the profits derived from the Company's foreign subsidiaries shall be subject to corporate income tax when dividends were declared by its foreign subsidiaries. The Company uses an applicable tax rate according to relevant corporate income tax regulations to pay the tax on profits of the foreign subsidiaries.

Selling, administrative and general expense

For the year ended 31 December 2012, the Group's selling, administrative and general expenses were RMB958,246,000, representing an increase of 39.0% as compared with 2011. It was primarily due to an increase in employees' salaries and greater change to the fair value of share appreciation rights granted to employees as compared with the same period last year.

Other gains, net

For the year ended 31 December 2012, the Group's other gains, net was RMB1,212,614,000, representing an increased by RMB1,090,401,000 as compared with 2011. It mainly consisted of gain from the disposal of a proportion of self-owned containers by the Group.

Profit/loss attributable to equity holders of the company

Due to the above reasons, the profit attributable to the equity holders of the Company for the year 2012 was RMB524,921,000, representing an increase of RMB3,268,390,000 as compared with the loss attributable to the equity holders of the Company of RMB2,743,469,000 in 2011.

Liquidity, financial sources and capital structure

The Group's principal sources of working capital are the operating cash inflow and bank borrowings. Cash is mainly used in costs of finance services, new vessels construction, purchase of containers, payment of dividends and the repayment of principal and interest for bank borrowings and finance leases.

As at 31 December 2012, the Group's total bank and shareholder borrowings were RMB16,892,084,000. The maturity profile is spread over a period between 2013 and 2022 with RMB1,528,272,000 repayable within one year, RMB4,387,980,000 repayable within the second year, RMB8,816,735,000 repayable within the third to the fifth year, and RMB2,159,097,000 repayable after the fifth year. The Group's long-term bank and shareholder borrowings are mainly used to finance the construction of vessels and ports.

As at 31 December 2012, the Group's long-term bank borrowings were secured by mortgages over certain containers, container vessels, and port and depot infrastructure with a total book value of RMB6,033,486,000 (as at 31 December 2011: RMB4,930,645,000).

As at 31 December 2012, the Group's bonds payable in ten-year period amounted to RMB1,789,078,000, all proceeds from the bonds were used in the construction of vessels. The bonds were issued with guarantee provided by the Bank of China, Shanghai branch.

As at 31 December 2012, the Group's RMB borrowings at fixed interest rates amounted to RMB3,985,840,000, with annual interest rates ranging from 5.02% to 6.35%. USD borrowings at fixed interest rates amounted to RMB1,393,579,000, with annual interest rates ranging from 3.5% to 4.9% and USD borrowings at floating interest rates amounted to RMB11,512,665,000, with annual interest rates adjusted based on London Interbank Offered Rate. The Group's borrowings are denominated in RMB or USD, and cash and cash equivalents are mainly denominated in these two currencies.

As at 31 December 2012, the Group's obligations under finance leases amounted to RMB348,018,000, with the maturity profile ranging from 2013 to 2019. The amount repayable within one year is RMB119,634,000; the amount repayable within the second year is RMB35,864,000; the amount repayable within the third to the fifth year is RMB118,553,000 and the amount repayable after the fifth year is RMB73,967,000. The Group's obligations under the finance leases are used in the lease of new containers.

Net current assets

As at 31 December 2012, the Group's net current assets amounted to RMB6,573,789,000. Current assets are mainly comprised of inventories of RMB1,238,030,000, trade and notes receivables of RMB2,263,700,000, prepayments and other receivables of RMB590,406,000 and cash and bank deposits and restricted deposits of RMB8,831,970,000. Current liabilities are mainly comprised of trade payables of RMB3,883,845,000, accrual and other payables of RMB778,327,000, current income tax liabilities of RMB15,239,000, long-term bank borrowings due in one year of RMB1,528,272,000, finance lease obligations payable in one year of RMB119,634,000 and provisions of RMB25,000,000.

Cash flows

For the year 2012, the Group's net cash inflow generated from operating activities was RMB136,312,000, denominated principally in RMB and USD, representing an increase of RMB2,530,607,000 from net cash used in operating activities of

RMB2,394,295,000 in 2011. Cash and cash equivalents balances at the end of 2012 increased by RMB1,757,697,000 as compared with 31 December 2011, mainly reflecting inflow of net cash generated from operating activities, financing activities and investing activities. The cash inflow from financing activities of the Group during year 2012 is mainly from the addition of bank borrowings, for the purposes of short-term business needs and purchase and construction of vessels, containers and port infrastructure.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2012 and 2011:

Unit: RMB

	2012	**2011**
Net cash generated from/(used in) operating activities	136,312,000	(2,394,295,000)
Net cash generated from/(used in) investing activities	1,391,750,000	(5,387,526,000)
Net cash generated from financing activities	233,437,000	4,346,749,000
Exchange losses on cash	(3,802,000)	(140,051,000)
Net increase/(decrease) in cash and cash equivalents	1,757,697,000	(3,575,123,000)

Net cash generated from operating activities

For the year ended 31 December 2012, the net cash inflow generated from operating activities was RMB136,312,000, representing an increase of RMB2,530,607,000 from the net cash outflow of RMB2,394,295,000 in 2011. The increase in the net cash generated from operating activities of the Group was attributable to the improvement in the Group's revenue and the operating profit margin in 2012.

Net cash generated from investing activities

For the year ended 31 December 2012, net cash generated from investing activities was RMB1,391,750,000, representing an increase of RMB6,779,276,000 from the net cash outflow for the year 2011 of RMB5,387,526,000. It was primarily due to the Group's reduced investment expenditure in vessel construction and a significant increase in cash inflow from the disposal of a proportion of self-owned containers in 2012.

Net cash generated from financing activities

For the year ended 31 December 2012, net cash generated from financing activities was RMB233,437,000, representing a decrease of RMB4,113,312,000 as compared with the net cash generated from financing activities of RMB4,346,749,000 in 2011. In 2012, Group's bank borrowings amounted to RMB11,010,034,000, repayment of bank borrowings amounted to RMB9,930,172,000 and repayment of principal of finance leases amounted to RMB239,788,000.

Average turnover days of trade and notes receivables

As at 31 December 2012, the gross balance of trade and notes receivables of the Group amounted to RMB2,329,101,000, representing an increase of RMB479,027,000 as compared with 31 December 2011, and the balance of trade receivables from related parties amounted to RMB385,232,000, representing an increase of RMB212,737,000 as compared with 31 December 2011. It was primarily due to the Group's revenue increasing by 15.2% in 2012 as compared with last year, which led to an increase of balance of trade receivables. However, as the Group strengthened collection management of receivables, the average turnover days of trade and notes receivables in 2012 was lower than that of last year.

Gearing ratio

As at 31 December 2012, the Group's net gearing ratio (i.e. net debts over shareholders' equity) was 37.1%, which was lower than 40.5% in 2011. The decrease in gearing ratio was mainly due to: On one hand, better operations led to increased cash amounts; on the other hand, profits increased the Company's net assets for 2012. These factors led to the decrease in net gearing ratio.

Foreign exchange risk and hedging

Most of the revenue of the Company are settled in USD. The Group recorded a net exchange gains of RMB15,680,000, which was mainly due to fluctuations of US and EU currency exchange rates. The exchange difference which was charged to shareholders' equity amounted to RMB19,451,000. The Company will continue to watch closely the exchange rate fluctuation between RMB and major international currencies, convert net foreign cash inflows from operating activities into RMB in a timely manner so as to minimize the losses brought by foreign exchange fluctuations, and take appropriate measures where necessary to reduce its foreign exchange risk.

Capital expenditure

During the year ended 31 December 2012, the Group's expenditures on the purchase of container vessels and vessels under construction amounted to RMB1,977,592,000, expenditures on purchase of containers amounted to RMB62,680,000, expenditures on other production infrastructure, office equipment and motor vehicles amounted to RMB74,835,000, and equity investments amounted to RMB19,800,000.

Commitments

As at 31 December 2012, capital commitments of the Group which had been contracted but not provided for in relation to vessels under construction were RMB4,515,252,000; contracted but not provided for investment commitments was RMB332,000,000 and authorised but not contracted was RMB94,200,000. Furthermore, the operating lease commitments of the Group relating to land and buildings, and vessels and containers are RMB125,520,000 and RMB10,863,214,000, respectively.

Contingent liabilities

As at 31 December 2012, the Group had provisions of RMB25,000,000 credited as legal claim. Except for this, the Group had no other contingent liabilities.

Employees, training and benefits

As at 31 December 2012, the Group had 4,806 employees. In addition, the Group had entered into contracts with a number of subsidiaries of CS Company, pursuant to which these subsidiaries provided the Group with approximately 3,132 crew members in total who mainly worked on the Group's self-owned or bare boat chartered vessels. As at 31 December 2012, total expenses were approximately RMB2,008,017,000.

Remuneration of the Group's employees includes basic salaries, other allowances and performance-based bonuses. The Group has adopted a performance-linked bonus scheme for its employees. The scheme links the employees' financial benefits with certain business performance indicators. Such indicators may include, but not limited to, the profit target of the Group.

Details of such performance-linked bonus scheme vary among the employees of the Group. The Group sets out certain performance indicators for each of its subsidiaries to achieve and formulate detailed performance-based remuneration policies according to its own circumstances.

The Group has adopted a compensation scheme on 12 October 2005 and amended the same on 20 June 2006, 26 June 2007 and 20 June 2008, which is to be satisfied by cash payments and is share-based, known as the "H Share Share Appreciation Rights Scheme". The fair value change of the rights is recognised as an expense or income of the Group. According to the H Share Share Appreciation Rights Scheme, the senior management, heads of operation and management divisions, and the general managers and deputy general managers of the subsidiaries of the Company, might in the future be entitled to the compensation in the form of cash payment, which is calculated based on the appreciation in the price of the Group's H share from the date of grant to the date of exercising the rights.

The Group has organized and implemented various trainings for our internal employees, including trainings on Safety Management System (SMS) for crew management division and management courses for middle and senior leaders.

II. WORKING CAPITAL OF THE ENLARGED GROUP

As at 31 December 2015, the aggregated amount of the unutilized banking facilities of the Enlarged Group was RMB38.8 billion, thus after taking into account the terms of the Proposed Transactions and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular up to 31 December 2016.

(i) Despite Dong Fang International's net current liabilities noted as at 30 September 2015 amounted to US$137 million, the Directors are of the view that, based on a detailed review of the working capital forecast of Dong Fang International and its subsidiaries (the "**Dong Fang International Group**"), the available unutilised banking facilities of US$49 million from commercial banks and CS Hong Kong, the immediate holding company of Dong Fang International, agreed not to demand repayment of accounts due from the Dong Fang International Group amounted to US$127 million as at 30 September 2015 for a period of at least twelve months from the date of this circular, Dong Fang International will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements.

(ii) As at 30 September 2015, the current liabilities of Florens and its subsidiaries (the "**Florens Group**") exceeded their current assets by US$135,442,000. COSCO Pacific, the immediate holding company of Florens confirmed its intention to provide continuing financial support to the Florens Group for the earlier of the coming 12 months up to 30 September 2016 and the completion date of the proposed acquisition of Florens and other interlocked transactions by CS Container so as to enable the Florens Group to meet their liabilities as and when they fall due and to carry on their business without a significant curtailment of operation for the foreseeable future. In addition, CS Container confirmed its intention to provide continuing financial support to Florens Group up to 31 December 2016 starting from the completion date of the proposed acquisition and other interlocked transactions by CS Container, if completed.

(iii) As at 30 September 2015, Long Honour Group's current liabilities exceeded its current assets by US$1,151,720,000. COSCO HK, the immediate holding company of Long Honour has confirmed its intention to provide continuing financial support to Long Honour for the earlier of the coming 12 months up to 30 September 2016 and the completion date of the proposed acquisition and other interlocked transactions by CS Container so as to enable Long Honour to meet their liabilities as and when they fall due and to carry on their business without a significant curtailment of operation for the foreseeable future. In addition, CS Container confirmed its intention to provide continuing financial support to Long Honour up to 31 December 2016 starting from the completion date of the proposed acquisition and other interlocked transactions by CS Container, if completed.

III. INDEBTEDNESS OF THE ENLARGED GROUP

1. Borrowings and Indebtedness

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding interest-bearing bank and other borrowings of approximately RMB46,506 million, comprising bank borrowings of RMB28,771 million, borrowing from parent and ultimate holding company of RMB12,167 million, commercial paper notes of RMB4,762 million, borrowing from fellow subsidiaries of RMB489 million and borrowing from non-controlling shareholder of RMB317 million. As of the same date, the Enlarged Group also had outstanding domestic corporate bonds in the amount of RMB1,800 million.

The following table illustrates the Enlarged Group's interest-bearing bank and other borrowings as at 31 October 2015:

	RMB'000
Non-current	
Long-term bank borrowings	20,877,877
Commercial paper notes	2,222,325
Borrowing from non-controlling shareholder	317,475
	23,417,677
Current	
Short-term bank borrowings	3,370,789
Commercial paper notes	2,539,800
Long-term bank borrowings – current portion	4,522,001
Borrowings from parent and ultimate holding company	12,167,177
Borrowings from fellow subsidiaries	488,912
	23,088,678
Total	46,506,355

As at 31 October 2015, the Enlarged Group's interest-bearing bank and other borrowings of RMB13,175 million were secured by its container vessels, containers and port and depot infrastructure with aggregate carrying amounts of approximately RMB24,198 million.

Save as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees as of 31 October 2015.

2. Contingent Liabilities

As at 31 October 2015, the Enlarged Group had no significant contingent liabilities.

IV. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company have been made up.

V. FINANCIAL AND TRADING PROSPECTS

CS Container will strengthen its ability to counter the business cycle of the conventional shipping business through the expansion of its chartering business, container leasing business and shipping related financial services, which is expected to strengthen the stability of the financial condition of CS Container and create growth engines for the benefit of CS Container and its shareholders.

Compared with the container liner business, vessels chartering business is less susceptible to the seasonality and price fluctuations of the global container shipping market. Charter contracts with a relatively longer chartering term, particularly those vessels with a high shipping capacity, can ensure stable cash flows and funds for purchasing vessels in the future. CS Container will be engaged in the vessels chartering business in a more professional and comprehensive manner, whereby providing customers with one-stop services including ship chartering, container chartering, crew management, vessel management, repair and logistics network.

In addition, CS Container will be able to provide a full range of shipping services ranging from container shipping, leasing to related financial services, which is expected to generate a great amount of synergy among the business segments through comprehensive services, cross-selling and increased loyalty of the customers. The expanded business of CS Container will facilitate intra-group business integration by optimising strategy management and control, achieving synergy among different business segments, and improving overall operating efficiency of CS Container. The expanded business of CS Container can better interact with the business of other members of CS Group and COSCO Group through the integration of financial services and the industrial segments.

Furthermore, the Company will continue to strengthen talent team building, improve corporate governance standard and enhance production safety control. The Company recognizes new changes and new development trends in the world economy and the shipping market, and will fully integrate with the national strategy of "one belt one road," in particular the building of "the 21st Century Maritime Silk Road." The Company will actively adapt to the new normal stage of economic development, refine management, pursue innovation and strive for sustainable development.

The Company believes that its management has sufficient and relevant experience in managing the business proposed to be acquired including the container leasing business of Dong Fang International and Florens as well as the Shipping-related and Other Financial Service Business considering, among other things, that (i) the Company already conducts container leasing on an intra-group basis prior to such acquisition, and (ii) the Company's management already has the relevant experience in shipping-related and other financial service business from their involvement in the business of CS Finance where the Company has a 25% equity interest.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

The accompanying unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group (collectively, the "Unaudited Pro Forma Financial Information") have been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the proposed acquisition of certain equity interests of container lease business, shipping-related financial service business, minority financial interest and disposal of equity interests in certain subsidiaries and associate companies (the "Transactions") on the consolidated financial position and the consolidated results and cash flows of the Enlarge Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2015, which has been extracted from the Group's published interim report for the six months ended 30 June 2015 dated 27 August 2015, and the audited consolidated statement of financial position of the Target Companies as at 30 September 2015, which has been extracted from the accountants' report of the Target Companies set out in Appendix I-A to I-G to this Circular, after taking into account the pro forma adjustments relating to the Transactions that are (i) clearly shown and explained; (ii) directly attributable to the Transactions and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Transactions had been completed on 30 June 2015.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2014, which have been extracted from the Group's published 2014 annual report dated 26 March 2015, and the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Companies for the year ended 31 December 2014, which have been extracted from the accountants' report of the Target Companies set out in Appendix I-A to I-G to this Circular, after taking into account the pro forma adjustments relating to the Transactions as explained in the accompanying notes that are (i) clearly shown and explained; (ii) directly attributable to the Transactions and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Transactions had been completed on 1 January 2014.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon Completion of the Transactions. As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Enlarged Group following the completion of the Transactions and does not purport to describe the actual results of operations, financial position and cash flows of the Enlarged Group that would have been attained had the Transactions been completed on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position, results of operations or cash flows of the Enlarged Group after the completion of the Transactions.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 and paragraph 69(4)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix II to the Circular, the accountants' report of the Target Companies as set out in Appendix I-A to I-G to the Circular and other financial information included elsewhere in the Circular.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30/06/2015 RMB'000	The combined figure of disposal subsidiaries as at 30/6/2015 RMB'000 (Note 1)	The combined figure of acquisition subsidiaries as at 30/9/2015 RMB'000 (Note 3)	Unaudited Pro Forma Adjustments RMB'000 (Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	Unaudited Pro Forma Enlarged Group as at 30/6/2015 RMB'000
NON-CURRENT ASSETS									
Property, plant and equipment	37,983,945	(327,670)	18,397,594	6,779	–	–	–	(712,191)	55,348,457
Investment properties	2,065	(2,065)	8,002	–	–	–	–	–	8,002
Investment in associates and joint ventures	3,886,896	–	10,411,608	–	(3,605,766)	5,781,184	(210,642)	–	16,263,280
Land use rights	–	–	123,123	–	–	–	–	–	123,123
Intangible assets	16,201	(4,569)	17,047	–	–	–	–	–	28,679
Finance lease receivables	–	–	2,384,234	–	–	–	(9,833)	–	2,374,401
Deferred income tax assets	10,467	(633)	30,096	–	–	–	–	–	39,930
Other non-current asset	–	–	117,302	–	–	–	–	–	117,302
Loans to related parties	–	–	5,472,192	–	–	–	–	–	5,472,192
Available-for-sale financial assets	–	(20,861)	1,158,627	20,861	–	–	–	–	1,158,627
Other financial asset	–	–	150,000	–	–	–	–	–	150,000
Total non-current assets	41,899,574	(355,798)	38,269,825	27,640	(3,605,766)	5,781,184	(220,475)	(712,191)	81,083,993
CURRENT ASSETS									
Inventories	1,228,983	(124,759)	643,539	–	–	–	–	(11,073)	1,736,690
Trade and note receivables	1,812,959	(1,572,092)	1,193,505	1,449,201	–	–	–	–	2,883,573
Prepayment and other receivable	516,479	(300,408)	568,271	87,794	4,682,862	–	(14,112)	–	5,540,886
Finance lease receivables	–	–	387,130	–	–	–	(7,779)	–	379,351
Due from related parties	322,072	(2,153,674)	1,292,690	3,273,744	–	–	(548,087)	–	2,186,745
Cash and cash equivalents	8,005,395	(948,574)	3,573,826	–	–	–	(546,106)	–	10,084,541
Restricted bank balances	326,100	–	3,118,865	–	–	–	–	–	3,444,965
Held-for-trading financial assets	–	–	20,194	–	–	–	–	–	20,194
Other asset	–	–	8,706	–	–	–	–	–	8,706
Total current assets	12,211,988	(5,099,507)	10,806,726	4,810,739	4,682,862	–	(1,116,084)	(11,073)	26,285,651
TOTAL ASSETS	54,111,562	(5,455,305)	49,076,551	4,838,379	1,077,096	5,781,184	(1,336,559)	(723,264)	107,369,644

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group (Continued)

	The Group as at 30/06/2015 *RMB'000*	The combined figure of disposal subsidiaries as at 30/6/2015 *RMB'000* *(Note 1)*	The combined figure of acquisition subsidiaries as at 30/9/2015 *RMB'000* *(Note 3)*	Unaudited Pro Forma Adjustments *RMB'000* *(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	Unaudited Pro Forma Enlarged Group as at 30/6/2015 *RMB'000*
NON-CURRENT LIABILITIES									
Note payable	–	–	1,679,504	–	–	–	–	–	1,679,504
Long term bank loans	13,316,323	–	6,497,636	–	–	–	–	–	19,813,959
Deferred tax liabilities	72	(45)	313,120	–	–	–	–	–	313,147
Other long term liabilities	–	(3)	7,702,737	3	–	–	–	–	7,702,737
Derivative instrument	16	–	–	–	–	–	–	–	16
Domestic corporate bonds	1,795,206	–	–	–	–	–	–	–	1,795,206
Finance lease obligation	10,252	(419)	–	–	–	–	(9,833)	–	–
Loan from related party	1,211,360	–	318,065	–	–	–	–	–	1,529,425
Total non-current liabilities	16,333,229	(467)	16,511,062	3	–	–	(9,833)	–	32,833,994
CURRENT LIABILITIES									
Trade payables	3,616,201	(1,792,391)	1,106,183	852,496	–	–	–	–	3,782,489
Other payable and accruals	671,827	(346,893)	1,187,960	(78,904)	–	23,421,714	(14,112)	–	24,841,592
Due to related parties	338,606	(2,128,130)	1,223,685	4,037,147	–	–	(1,094,193)	–	2,377,115
Dividend payable	–	–	495,573	–	–	–	–	–	495,573
Tax payable	5,538	(5,347)	137,174	–	–	–	–	–	137,365
Interest-bearing bank and other borrowings	8,217,757	(105)	1,015,118	–	–	–	–	–	9,232,770
Finance lease obligation-current portion	7,779	–	–	–	–	–	(7,779)	–	–
Loan from related party	–	–	1,812,970	–	–	–	–	–	1,812,970
Deposits to related parties	–	–	7,302,744	–	–	–	–	–	7,302,744
Defined benefit obligations	–	–	220	–	–	–	–	–	220
Other liabilities	25,000	–	5,106	–	–	–	–	–	30,106
Derivative instrument	505	–	–	–	–	–	–	–	505
Total current liabilities	12,883,213	(4,272,866)	14,286,733	4,810,379	–	23,421,714	(1,116,084)	–	50,013,449
TOTAL LIABILITIES	29,216,442	(4,273,333)	30,797,795	4,810,742	–	23,421,714	(1,125,917)	–	82,847,443
EQUITY									
Equity attributable to owners of the parent									
Share capital	11,683,125	(1,008,045)	5,760,196	–	1,008,045	(5,760,196)	–	–	11,683,125
Reserves	13,126,729	(130,974)	12,273,504	6,776	130,974	(12,273,504)	(19)	(723,264)	12,410,222
Non-controlling interests	85,266	(42,953)	245,056	20,861	(61,923)	393,170	(210,623)	–	428,854
Total equity	24,895,120	(1,181,972)	18,278,756	27,637	1,077,096	(17,640,530)	(210,642)	(723,264)	24,522,201

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group

	The Group for the year ended 31/12/2014 *RMB'000*	The combined figure of disposal subsidiaries for the year ended 31/12/2014 *RMB'000* *(Note 1)*	The combined figure of acquisition subsidiaries for the year ended 31/12/2014 *RMB'000* *(Note 3)*	Unaudited Pro Forma Adjustments *RMB'000* *(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	Unaudited Pro Forma Enlarged Group for the year ended 31/12/2014 *RMB'000*
Revenue	36,077,425	(22,917,713)	6,950,873	16,370,702	–	(1,372,650)	–	35,108,637
Cost of sales	(34,839,333)	22,445,045	(4,780,964)	(16,318,798)	–	1,151,684	–	(32,342,366)
Gross profit	1,238,092	(472,668)	2,169,909	51,904	–	(220,966)	–	2,766,271
Other gain and losses	1,686,877	(144,901)	286,765	–	(619,004)	3,044	–	1,212,781
Selling and distribution expenses	–	–	(297,016)	–	–	–	–	(297,016)
Administrative expenses	(963,275)	432,007	(403,476)	(51,904)	–	(27,075)	–	(1,013,723)
Share of profit of associates	77,915	–	619,750	–	(77,915)	–	845,218	1,464,968
Share of profit of a jointly controlled entity	6,209	–	–	–	(268)	–	–	5,941
Finance costs	(468,294)	17	(278,596)	–	–	42,083	–	(704,790)
Profit before tax	1,577,524	(185,545)	2,097,336	–	(697,187)	(202,914)	845,218	3,434,432
Income tax expenses	(547,530)	59,681	(235,784)	–	–	–	–	(723,633)
Profit/(loss) for the year from continuing operations	1,029,994	(125,864)	1,861,552	–	(697,187)	(202,914)	845,218	2,710,799
Profit from discontinued operation	38,756	–	–	–	(38,756)	–	–	–
Profit for the year	1,068,750	(125,864)	1,861,552	–	(735,943)	(202,914)	845,218	2,710,799
Profit attributable to:								
– Owner of the Company	1,044,036	(109,995)	1,838,051	–	(735,943)	(202,914)	845,218	2,678,453
– Minority interests	24,714	(15,869)	23,501	–	–	–	–	32,346

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

	The Group for the year ended 31/12/2014	**The combined figure of disposal subsidiaries for the year ended 31/12/2014**	**The combined figure of acquisition subsidiaries for the year ended 31/12/2014**	**Unaudited Pro Forma Adjustments**				**Unaudited Pro Forma Enlarged Group for the year ended 31/12/2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				*RMB'000*
		(Note 1)	*(Note 3)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Profit for the year	1,068,750	(125,864)	1,861,552	–	(735,943)	(202,914)	845,218	2,710,799
Other comprehensive income								
Exchange differences on translating foreign operations	10,724	(2,083)	(2,501)	–	–	–	–	6,140
Release of reserve upon liquidation of a subsidiary	–	–	(177)	–	–	–	–	(177)
Share of other comprehensive income of associates	(32,334)	–	39,395	–	36,947	–	–	44,008
Available-for-sale investments: changes in fair value	–	–	142,675	–	–	–	–	142,675
Income tax effect	–	–	–	–	–	–	–	–
Effective portion of changes in fair value of hedging instruments	4,715	–	–	–	–	–	–	4,715
Total other comprehensive income	**(16,895)**	**(2,083)**	**179,392**	**–**	**36,947**	**–**	**–**	**197,361**
Total comprehensive income	**1,051,855**	**(127,947)**	**2,040,944**	**–**	**(698,996)**	**(202,914)**	**845,218**	**2,908,160**
Total comprehensive income attributable to:								
– Owner of the Company	1,027,451	(112,230)	2,018,091	–	(698,996)	(202,914)	845,218	2,876,620
– Minority interests	24,404	(15,717)	22,853	–	–	–	–	31,540

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group for the year ended 31/12/2014	The combined figure of disposal subsidiaries for the year ended 31/12/2014	The combined figure of acquisition subsidiaries for the year ended 31/12/2014	Unaudited Pro Forma Adjustments				The Group for the year ended 31/12/2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				*RMB'000*
		(Note 1)	*(Note 3)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*
Profit/(loss) before income tax	1,626,077	(195,342)	2,097,336	(735,943)	–	642,304	–	3,434,432
Depreciation	1,596,318	(47,625)	1,085,954	–	–	168,285	–	2,802,932
Amortization	6,718	(2,846)	23,548	–	–	–	–	27,420
(Reversal)/provision of impairment loss of assets	–	–	42,873	–	–	27,075	–	69,948
Dividend income from available-for-sale financial assets	(19,201)	–	(17,373)	–	–	–	–	(36,574)
(Gain)/Loss on disposal of items of property, plant and equipment	28,403	14,030	(97,082)	–	–	(3,044)	–	(57,693)
Gain on disposal of available-for-sale assets	–	–	(116,817)		–	–	–	(116,817)
Gain on disposal of subsidiaries	(947,456)	–	(54,683)	619,004	–	–	–	(383,135)
Changes in fair value of held-for-sale financial investments	–	–	(231)	–	–	–	–	(231)
Interest expense	477,755	–	259,456	–	–	(42,083)	–	695,128
Interest income	(201,610)	10,538	(22,299)	–	–	42,083	–	(171,288)
Finance charge of finance lease obligations	12,230	–	202	–	–	–	–	12,432
Change in fair value of share-based compensation liability	737	–	–	–	–	–	–	737
Share of results of associates	(79,204)	–	(618,851)	79,204	–	(845,218)	–	(1,464,069)
Share of results of joint ventures	(31,826)	–	–	37,735	–	–	–	5,909
Fair value loss of derivative financial instruments	–	–	392	–	–	–	–	392
Increase in inventories	360,689	(7,469)	262,091	–	–	10,598	–	625,909
(Increase)/decrease in trade and notes receivables	73,339	128,382	161,937	–	–	–	–	363,658
Decrease in prepayments and other receivables	(13,157)	33,812	(182,541)	–	–	–	–	(161,886)
(Increase)/decrease due from related parties	7,888	193,466	(39,298)	–	–	–	–	162,056
Increase in held-for-trading financial assets	–	–	(180,000)	–	–	–	–	(180,000)
(Increase)/decrease in finance lease receivables	–	–	(722,356)	–	–	–	–	(722,356)
Increase in other non-current assets	–	–	(84,025)	–	–	–	–	(84,025)
Increase/(decrease) in trade payables	(142,179)	(136,006)	(192,273)	–	–	–	–	(470,458)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group (Continued)

	The Group for the year ended 31/12/2014 *RMB'000*	The combined figure of disposal subsidiaries for the year ended 31/12/2014 *RMB'000* *(Note 1)*	The combined figure of acquisition subsidiaries for the year ended 31/12/2014 *RMB'000* *(Note 3)*	Unaudited Pro Forma Adjustments *RMB'000* *(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	The Group for the year ended 31/12/2014 *RMB'000*
Decrease in accruals and other payables	(27,173)	(48,433)	41,823	(113,874)	–	–	–	(147,657)
Increase/(decrease) due to related parties	89,539	(48,294)	1,260,049	–	–	–	–	1,301,294
Decrease in restricted cash	1,600	–	(193,444)	–	–	–	–	(191,844)
Income tax paid/(refund)	(106,399)	56,548	(35,054)	–	–	–	–	(84,905)
Interest received/(paid)	–	–	(100,449)	–	–	–	–	(100,449)
Others	–	(391)	(5,756)	–	–	–	–	(6,147)
Net cash generated from/(used in) operations	2,713,088	(49,630)	2,573,129	(113,874)	–	–	–	5,122,713
Cash flow from investing activities:								
Interest received	161,178	(10,538)	1,094,971	–	–	–	–	1,245,611
Proceeds from disposal of property, plant and equipment	126,606	(34,262)	314,289	–	–	–	–	406,633
Proceeds from disposal of subsidiaries	231,051	–	205,628	147,844	1,077,096	–	–	1,661,619
Proceeds from disposal of joint ventures and associates	–	–	–	–	3,605,766	–	–	3,605,766
Proceeds from disposal of available-for-sale investments	–	–	766,814	–	–	–	–	766,814
Proceeds from disposal of held-to-maturity financial assets	–	–	158,000	–	–	–	–	158,000
Acquisition of investment in joint ventures and associates	(7,538)	–	–	–	–	–	(5,781,184)	(5,788,722)
Acquisition of available-for-sale financial investments	(499,445)	–	(670,006)	–	–	–	–	(1,169,451)
Acquisition of subsidiaries	–	–	(372,723)	–	–	–	(17,640,530)	(18,013,253)
Purchase of items of property, plant and equipment and intangible assets	(5,909,290)	49,299	(3,296,796)	–	–	–	–	(9,156,787)
Dividends received from associates	19,308	–	139,497	–	–	(102,442)	–	56,363
Dividends received from joint ventures	6,205	–	–	–	–	–	–	6,205
Dividends received from available-for-sale financial assets	12,600	–	17,373	–	–	–	–	29,973

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group (Continued)

	The Group for the year ended 31/12/2014 RMB'000	The combined figure of disposal subsidiaries for the year ended 31/12/2014 RMB'000 (Note 1)	The combined figure of acquisition subsidiaries for the year ended 31/12/2014 RMB'000 (Note 3)	Unaudited Pro Forma Adjustments RMB'000 (Note 10)	(Note 11)	(Note 12)	(Note 13)	The Group for the year ended 31/12/2014 RMB'000
Compensation received for loss of containers	–	–	3,225	–	–	–	–	3,225
Others	–	1,914	–	–	–	–	–	1,914
Net cash flow used in investing activities	(5,859,325)	6,413	(1,639,728)	147,844	4,682,862	(102,442)	(23,421,714)	(26,186,090)
Cash flow from financing activities:								
Proceeds from issue of shares	–	(61,670)	–	61,670	–	–	–	–
Interest paid	(574,690)	–	(218,425)	–	–	–	–	(793,115)
Capital injection from non-controlling shareholders	42,529	–	–	–	–	–	–	42,529
New bank loans	11,636,482	–	4,681,508	–	–	–	–	16,317,990
Repayment of bank loans	(8,151,048)	–	(3,506,063)	–	–	–	–	(11,657,111)
Capital element of finance lease payments	(34,111)	–	–	–	–	–	–	(34,111)
Interest element of finance lease payments	(12,135)	–	–	–	–	–	–	(12,135)
Liquidation of a subsidiary	(946)	–	–	–	–	–	–	(946)
Increase/(decrease) in amounts due to related parties	–	–	1,258,907	–	–	(34,478)	–	1,224,429
Increase in other receivables	–	–	–	–	(4,682,862)	–	–	(4,682,862)
Increase in other payables	–	–	–	–	–	–	23,421,714	23,421,714
Dividend paid	(4,522)	95,640	(984,689)	(95,640)	–	102,442	–	(886,769)
Net cash flow (used in) financing activities	2,901,559	33,970	1,231,238	(33,970)	(4,682,862)	67,964	23,421,714	22,939,613
Effect of foreign exchange rate changes, net	(2,238)	(2,084)	(202)	–	–	–	–	(4,527)
Net increase/(decrease) in cash and cash equivalents	(246,916)	(11,331)	2,164,437	–	–	(34,478)	–	1,871,712
Cash and cash equivalents at beginning of the year	9,602,804	(810,375)	5,952,247	–	–	–	–	14,744,676
Cash and cash equivalents at the end of the year	9,355,888	(821,706)	8,116,684	–	–	(34,478)	–	16,616,388

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. Pursuant to the disposal agreement dated 11 December 2015 (the "Sales Agreement"), certain equity interests in associates, joint ventures and subsidiaries will be disposed of to China COSCO Holdings Company Limited ("COSCO") and COSCO Pacific. The pro forma adjustments are to reinstate the intercompany balances with these subsidiaries which were eliminated by the Group on consolidation.

2. The pro forma adjustment reflects the effect upon the disposal of certain equity interests of subsidiaries, associates and joint ventures and it is assumed that the disposal consideration equals to the carrying value of subsidiaries, associates and joint ventures at 30 June 2015. Since the carrying value of subsidiaries, associates and joint ventures may be substantially different from the final consideration at the completion date of the disposal, the final consideration to be recognised in connection with the disposal may be different from the amount presented above.

3. Pursuant to equity acquisition agreement dated 11 December 2015 (the "Purchases Agreement"), the Company will acquire certain equity interests in subsidiaries and associates from China Shipping (Group) Company ("CS Company") and China COSCO Holdings Company Limited ("COSCO Company").

   The acquisition of companies from CS Company are considered as business combination under common control as the Company and these target companies are under the common control of CS Company.

   The acquisition of companies from COSCO Company are considered as business combination under common control as the Company and these target companies are under the common control of the State-owned Assets Supervision and Administration Commission of the People's Republic of China.

   The pro forma adjustments represent the cost of acquisition of the equity interests of subsidiaries and associates. It is assumed that the consideration equals to the carrying value of those acquired subsidiaries and associates at 30 September 2015. Since the carrying value may be substantially different from the final consideration at the completion date of the acquisition, the final consideration to be recognised in connection with the acquisition may be different from the amount presented above.

4. The pro forma adjustments reflect the elimination of intercompany balances between the newly acquired subsidiaries and entities within the existing Group.

5. The newly-acquired subsidiary, CSI sold containers to the Group and Dong Fang International. The pro forma adjustment reflects the impact of unrealized profit on inventories and fixed assets purchased by the Group and Dong Fang International as at 30 September 2015.

   Florens Container Holding Limited ("Florens") and Dong Fang International, both of which are subsidiaries to be acquired upon the acquisition as mentioned in Note 3, have different useful lives of fixed assets compared with those of the Enlarged Group. The pro forma adjustment is to adjust the depreciation of fixed assets of Florens and Dong Fang International to align with the useful lives of the Enlarged Group.

6. As mentioned in Note 1, the pro forma adjustment is to reinstate the intercompany transactions which were eliminated by the Group on consolidation.

7. The pro forma adjustment reflects the exclusion of share of profit of associates and joint ventures which will be disposed of upon the disposal in Note 1.

   The Group realized gain on disposal of a subsidiary, China Shipping Terminal Development Co., Ltd ("CSTD") in the year ended 31 December 2014 amounted to RMB619,004,000. However the whole terminal operation business will be disposed of during the Transactions. As such, the pro forma adjustment excludes the gain arising from the disposal of CSTD assuming CSTD is not within the Enlarged Group.

8. As mentioned in Note 5, the pro forma adjustment reflects the elimination of sales and cost of sales among CSI, the Group and Dong Fang International.

   CSF provides cash pool service within CS Group and it incurred certain transactions with entities within the Enlarged Group before the acquisition as mentioned in Note 3. The pro forma adjustment reflects the elimination of transactions between CSF and entities within the Enlarged Group upon the acquisition.

9. Pursuant to the Purchases Agreement, CSCL obtains 13.67% and 17.53% equity interest in China Bohai Bank Co., Ltd ("Bohai Bank") and COSCO Finance Co., Ltd ("COSCO Finance"), respectively. After the acquisition, CSCL have significant influence over Bohai Bank and COSCO Finance. The pro forma adjustment reflects the share of profit of Bohai Bank and COSCO Finance for the year ended 31 December 2014.

10. The disposal mentioned in Note 1 affects certain profit and loss items. The pro forma adjustment reflects their corresponding effect on the statement of cash flows for the year ended 31 December 2014.

11. Pursuant to the Sales Agreement, the pro forma adjustment reflects the disposal of equity investments as mentioned in Note 1.

12. The acquisition mentioned in Note 3 affects certain profit and loss items. The pro forma adjustment also reflects effect on the statement of cash flows for the year ended 31 December 2014.

13. Pursuant to the Purchases Agreement, CSCL will acquire certain equity interests in subsidiaries and associates, the pro forma adjustment reflects the acquisition of the investments as mentioned in Note 3.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China Shipping Container Lines Company Limited.

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Shipping Container Lines Company: Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2015, the pro forma consolidated statement of profit or loss, the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flow for the year ended 31 December 2014, and related notes as set out on page 10 to 11 in Appendix III of the circular date 31 December 2015 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in page 1 to 2 in Appendix III of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of proposed acquisition of certain equity interests of container lease business, shipping-related financial service business, minority financial interest and disposal of equity interests in certain subsidiaries and associate companies (the "Transactions") on the Group's financial position as at 30 June 2015, and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the Transactions had taken place at 30 June 2015, 1 January 2014 and 1 January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's financial statements for the period ended 30 June 2015 and the year ended 31 December 2014, on which a review report and an audit report have been published, respectively.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Transactions on unadjusted financial information of the Group as if the Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

31 December 2015

1. DONG FANG INTERNATIONAL

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Hong Kong) Holdings Co., Limited proposed to transfer its 100% equity interests in Dong Fang International Investment Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

Such economic behavior has been approved by China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Hong Kong) Holdings Co., Limited of its 100% equity interests in Dong Fang International Investment Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

III. Subject and Scope of Valuation

1. Subject of Valuation

The subject of valuation is the 100% equity interests in Dong Fang International Investment Limited held by China Shipping (Hong Kong) Holdings Co., Limited.

2. Scope of Valuation

The scope of valuation covers all assets and liabilities reported by Dong Fang International Investment Limited as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The market approach and income approach have been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Income approach

The income approach in the appraisal of enterprise value refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income. The income approach normally consists of the dividend discount method and the discounted cash flow method.

This appraisal has, based on the audited combined statements of the enterprise, used the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow uses the Free Cash Flow of Firm (FCFF). Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the value of total equity interest of shareholder is arrived at by adding the expected free cash flow of firm for each of the coming years to derive the operational asset value, less the value of interest-bearing debt and minority interests, then plus the value of the non-operational assets and surplus assets.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many listed companies on international capital market which operate in the same industry as the appraisal subject, certain comparable listed companies are selected in this appraisal whereby the value of the appraisal subject is determined based on the appropriate value ratios as calculated based on analyzing and comparing the operational and financial data of the comparable companies and those of the appraisal subject. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples; considering the liquidity discount; considering the control premium.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, the carrying value of all shareholders' equity of Dong Fang International Investment Limited was USD395.9489 million (equivalent to RMB2,518.7497 million), while the appraised value was USD466.7643 million (equivalent to RMB2,969.2275 million), which was RMB450.4778 million or 17.88% higher than its carrying value. Namely, the appraised value of the 100% equity interests in Dong Fang International Investment Limited held by China Shipping (Hong Kong) Holdings Co., Limited was RMB2,969.2275 million.

The comparable companies selected in this appraisal under market approach are listed in the United States, being a developed market, which in particular operate in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for one year from 30 September 2015 (i.e. the valuation base date) to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

1. As at the valuation base date, substantially all the containers were subject to lease. The valuer made understanding and confirmation on the conditions of the containers based on the information from the container management platform provided by the appraised entity and made a sample check on the lease agreements. As stipulated in the lease agreements, the conditions of the container shall satisfy the technical criteria as agreed by both parties (i.e., the conditions supposed to be attained under normal use for containers with varied useful life) at the time of surrendering the container at the expiry of lease term. Given the aforesaid actual operation and circulation of the containers subject to leases, the ability to conduct item-by-item on-site inspection was limited. As such, this valuation did not conduct on-site inspection of the containers subject to leases on an item-by-item basis, provided that the valuer made necessary affirmation on the technical conditions of such containers based on the container management procedures of the appraised entity.

2. As at the valuation base date, certain containers were stored at the container yards which were yet to be leased out. The appraised entity had a number of contracted container yards. The valuer gained understanding and confirmation of the conditions of such containers and the locations of the container yards based on the information from the container management platform provided by the appraised entity, made investigation into the records of inspection of the entity in previous years, and made sample check on the containers stored in certain container yards. In respect the containers which were newly purchased and still located at the premises of the manufactures, the valuer made verification by way of sample check on the purchase contracts and invoices, and did not conduct on-site inspection.

3. As at the valuation base date, Dong Fang International Investment Limited and its subsidiaries had the following loan agreements which were subject to pledge or guarantee:

Unit of amount: USD

Item	Borrower	Lender	Contractual amount	Annual interest rate	Use of loan	Pledge or guarantee	Remarks
1	Dong Fang International Investment Limited	ABN Amro Bank NV Singapore Branch	50,000,000.00		Commercial	Pledge of containers and assignment of lease contracts and container insurance	
2	Dong Fang International Investment Limited	ING Bank NV Singapore Branch	50,000,000.00		Commercial	Pledge of containers and assignment of lease contracts and container insurance	
3	Dong Fang International Investment Limited	DVB Transport Finance Limited Tokyo Branch	5,678,592.00 9,321,408.00 26,975,000.00 29,487,852.60 21,487,333.20 21,982,479.00		Commercial	Sell containers to SPV company in Japan and lease back the same by way of finance lease, while in respect of SPV company, DVB Transport Finance Limited obtained the loan and arranged pledge of containers and assignments of relevant contracts	JOLCO Project
4	Dongfang Container Finance II (SPV) Limited	BNP Paribas Securities Corp.	35,000,000.00 124,000,000.00	1.95% 3.55%	Commercial	Pledge of containers and assignment of lease contracts and container insurance	ABS bonds
5	Dong Fang International Investment Limited	BNP Paribas Securities Corp.	200,000,000.00		Commercial	Same as above	Credit facility
6	Dongfang Container Finance (SPV) Limited	Deutsche Bank Securities Inc.	200,000,000.00		Commercial	Same as above	ABS bond
7	Dong Fang International Investment Limited	Nanyang Commercial Bank Ltd.	24,000,000.00		Commercial	Same as above	
8	Dong Fang International Investment Limited	DNB Bank Singapore Branch	60,000,000.00		Commercial	Same as above	
9	Dong Fang International Investment Limited	BNP Paribas, Bank of China & Bank of Tokyo	110,000,000.00		Commercial	Same as above	
10	Dong Fang International Investment Limited	DNB Bank Singapore Branch	60,000,000.00		Commercial	Same as above	
11	Dong Fang International Investment Limited	Wing Hang Bank	30,000,000.00		Commercial	Same as above	
12	Dong Fang International Investment Limited	Bank of Tokyo Mitsubishi UFJ Ltd.	50,000,000.00		Commercial	Same as above	
					Commercial		
Total			1,107,932,644.80		Commercial		

This valuation did not take into consideration the possible effect of the aforesaid pledge or guarantee matters on the valuation conclusion.

4. As at the valuation base date, Dong Fang International Investment Limited and its subsidiaries had the following fixed assets which were subject to pledge or guarantee:

Unit of amount: USD

Item	Type of fixed assets	Original cost of fixed assets	Accumulated depreciation	Net value of fix assets	Holder
1	Container	434,976,550.60	71,619,275.89	363,348,274.71	Dong Fang International Investment Limited
2	Container	240,287,809.94	24,835,056.48	215,452,753.46	Dongfang Container Finance (SPV) Limited
3	Container	129,688,267.31	4,201,705.79	125,486,561.52	Dongfang Container Finance II (SPV) Limited
Total		804,943,627.85		704,287,589.69	

This appraisal did not take into consideration the possible effect of the aforesaid pledge or guarantee matters on the valuation conclusion.

Users of this report are advised to pay attention to the potential effect of the aforesaid special matters on the valuation conclusion.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and

depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the enterprise to be valued resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the valued enterprise runs on a going concern basis according to the actual conditions of the assets on the valuation base date.

3. It is assumed that the current and future operators and managers of the enterprise to be valued exercise due diligence, and the management of such enterprise are competent in discharging their duties to ensure that the enterprise to be valued is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

4. It is assumed that the enterprise to be valued is in full compliance with all relevant laws and regulations in the country, without committing any significant violation that prejudices corporate development and revenue.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that such enterprise's management approaches and standards and the operating scopes and models in the future will remain consistent with the planning.

7. It is assumed that there will be no material changes in the requirements currently implemented or determined to be implement regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that the major business models of such enterprise remain stable and the main place of taxation will remain as British Virgin Island, and that the percentage of taxable income in the country where its subsidiaries reside over the total taxable income remains stable.

9. According to the corporate development strategies, the business scale will continue to expand in the forthcoming years, and the enterprise to be valued will purchase containers and invest in leasing services according to the investment plan. In addition, ample fund to satisfy the investing requirements will be raised.

10. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

2. FLORENS

SUMMARY

I. Economic Behavior Corresponding to the Valuation

COSCO Pacific Limited proposed to transfer its 100% equity interests in Florens Container Holdings Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

Such economic behavior has been approved by China Ocean Shipping (Group) Company and China Shipping (Group) Company under the *Resolutions of the 52nd Meeting of the First Board of Directors of China Ocean Shipping (Group) Company* and the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* respectively, both of which have been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by COSCO Pacific Limited of its 100% equity interests in Florens Container Holdings Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

III. Subject and Scope of Valuation

1. Subject of Valuation

The subject of valuation is the 100% equity interests in Florens Container Holdings Limited held by COSCO Pacific Limited.

2. Scope of Valuation

The scope of valuation covers all assets and liabilities reported by Florens Container Holdings Limited as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The market approach and income approach have been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Income approach

The income approach in the appraisal of enterprise value refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income. The income approach normally consists of the dividend discount method and the discounted cash flow method.

This appraisal has, based on the audited combined statements of the enterprise, used the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow uses the Free Cash Flow of Firm (FCFF). Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the value of total equity interest of shareholder is arrived at by adding the expected free cash flow of firm for each of the coming years to derive the operational asset value, less the value of interest-bearing debt and minority interests, then plus the value of the non-operational assets and surplus assets.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many listed companies on international capital market which operate in the same industry as the appraisal subject, certain comparable listed companies are selected in this appraisal whereby the value of the appraisal subject is determined based on the appropriate value ratios as calculated based on analyzing and comparing the operational and financial data of the comparable companies and those of the appraisal subject. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples; considering the liquidity discount; considering the control premium.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, the appraised value of all shareholders' equity of Florens Container Holdings Limited was USD1,223.7252 million (equivalent to RMB7,784.4833 million), which was RMB6,640.9520 million or 580.74% higher than its carrying value of RMB1,143.5313 million (on a separate basis); and RMB384.1359 million or 5.19% higher than its carrying value of RMB7,400.3474 million (on a combined basis).

The comparable companies selected in this appraisal under market approach are listed in the United States, being a developed market, which in particular operate in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for one year from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

1. As at the valuation base date, substantially all the containers were subject to lease. The valuer made confirmation on the conditions of the containers based on the information from the container management platform provided by the appraised entity and made a sample check on the lease agreements. As stipulated in the lease agreements, the conditions of the container shall satisfy the technical criteria as agreed by both parties (i.e., the conditions supposed to be attained under normal use for containers with varied useful life) at the time of surrendering the container at the expiry of lease term. Given the aforesaid actual operation and circulation of the containers subject to leases, the ability to conduct item-by-item on-site inspection was limited. As such, this valuation did not conduct on-site inspection of the containers subject to leases on an item-by-item basis, provided that the valuer made necessary affirmation on the technical conditions of such containers based on the container management procedures of the appraised entity.

2. As at the valuation base date, certain containers were stored at the container yards which were yet to be leased out. The appraised entity had a number of contracted container yards. The valuer gained understanding of the conditions of such containers and the locations of the container yards based on the information from the container management platform provided by the appraised entity, made investigation into the records of inspection of the entity in previous years, and made sample check on the containers stored in certain container yards. In respect the containers which were newly purchased and still located at the premises of the manufactures, the valuer made verification by way of sample check on the purchase contract and invoices, and did not conduct on-site inspection.

3. In this valuation, we conducted on-site examination on the buildings where the circumstances allows. However, such work was done with the assistance of general supporting tools and normal means without using sophisticated or professional instruments to conduct any structural test or verification. Due to certain limitations, we were unable to conduct inspection or observation over the hidden parts, the particulars of which were however based on the discussion with the appraised entity and the empirical judgment of the valuer.

4. As at the date of this valuation report, certain consolidated subsidiaries of Florens Container Holdings Limited had the following litigation and arbitration:

Litigation (Plaintiff)	Respondent (Defendant)	Party/Parties bearing joint liabilities	Type of litigation/ arbitration	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration) (RMB10,000) Only Florens	Including investors	Progress of litigation (arbitration)	Results and impacts of litigation (arbitration)
Florens Management Services (Macau Commercial Offshore) Limited	Hainan PO Shipping Co., Ltd (HNP)	None	Bankruptcy liquidation	Hainan Court accepted the bankruptcy liquidation regarding HNP as of 31 October 2013. The estimated amount due to creditors' rights under the application includes receivable rent, recoverable fees, and residual values of outstanding containers.	228.23	246.00	Upon the request of the court, Florens completed its creditor declaration as of 20 February 2014, and participated in the creditors' meeting as convened by the court as of 4 March 2014. The liquidation remains in progress. HNP handled approximately RMB60 million of vessels. The liquidator and financial officers submitted their report or notice to all creditors upon their audit over claim registration.	Pending a ruling
Florens Management Services (Macau Commercial Offshore) Limited	Phoenix Agencies Pte. Ltd. (PHOENIX)	None	Civil arbitration	The client is also a Singaporean agent and sublets containers. Therefore, the agency contract was terminated in January 2014. Our marketing personnel attempted to establish contacts. However, no response was made nor was any payment made for the rent. A letter of collection was issued and legal actions were taken. By August, a pre-trial hearing was held. In February 2015, a simple ruling ordered that PHOENIX should pay US$389,000 along with attorney fees, but PHOENIX made no response.	66.40	688.65	In June, the risk management and financial officers met the directors of Phoenix in Singapore without prejudice, whereby requesting the payment of containers under the possession of sub-lessee and negotiating the return of the same. But there was no result. During the litigation, we served an attorney letter to Phoenix and its directors regarding the illegal sublease of containers to Nha Trang, and discussed the feasibility of litigation against fraudulent actions with our lawyers, which remains in progress.	A simple ruling was made. We believe further actions shall be taken.

Litigation (Plaintiff)	Respondent (Defendant)	Party/Parties bearing joint liabilities	Type of litigation/ arbitration	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration) (RMB10,000) Only Florens	Including investors	Progress of litigation (arbitration)	Results and impacts of litigation (arbitration)
Florens Container Services (USA), Ltd.	Pescanova Shipping (India) Pvt. Ltd. (PESCA)	None	Litigation regarding creditors' rights	Florens brought a case against PESCA before the High Court of Mumbai. The amount under this litigation includes receivable rent and the residual values of outstanding containers. However, Florens plans to file an application for bankruptcy with the court due to the excessive time for the litigation.	12.61	514.42	The litigation against the creditors' rights remains in progress. Meanwhile, Florens contacted its lawyer and filed an application for the extension of the bankruptcy procedure with the Court.	Pending a ruling

Litigation (Plaintiff)	Respondent (Defendant)	Party/Parties bearing joint liabilities	Type of litigation/ arbitration	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration) (RMB10,000) Only Florens	Including investors	Progress of litigation (arbitration)	Results and impacts of litigation (arbitration)
Florens Container Inc.	Marshal hipping Pte. Ltd. (MARSHAL)	None	Litigation regarding creditors' rights	MARSHAL continues its prolonged default, including the failure to make payments and return containers. Florens brings a case against it before the High Court of Mumbai. The amount under the litigation will include receivable rent and residual values of outstanding containers. However, Florens files an application for bankruptcy with the court due to the excessive time of the litigation.	6.15	716.12	The litigation against the creditors' rights remains in progress. Meanwhile, Florens contacted its lawyer, and planned to take actions against MARSHAL and its associated companies in Singapore and Mumbai, respectively. In addition, an application for the bankruptcy liquidation procedure was filed with the court.	Pending a ruling

Litigation (Plaintiff)	Respondent (Defendant)	Party/Parties bearing joint liabilities	Type of litigation/ arbitration	Basic information about litigation (arbitration)	Amount involved in litigation (arbitration) (RMB10,000)		Progress of litigation (arbitration)	Results and impacts of litigation (arbitration)
					Only Florens	Including investors		
Florens Management Services (Macau Commercial Offshore) Limited	Winland Ocean Shipping Corporation (WINLAND)	None	Civil arbitration	As WINLAND fails to pay the rent as due and refuses to return all leased containers, Florens files an arbitration case against it in America based on the opinions of its counsel. The arbitrational results will be executed in China. The subject matter shall include the receivable rent and the residual values of outstanding containers.	44.49	192.47	Our lawyer has been engaged in handling these relevant matters. As of 22 January 2014, our lawyer visited the client. They offered a settlement and requested the payment schedule from us for discussion, which is in progress. The director of the risk management department completed the arbitration in America, and learned that the client selectively transfers assets to escape legal obligations. The risk management director is working on such matters.	Pending a ruling

As the above litigation and arbitration were still pending conclusive judgment, this valuation did not take into consideration the possible effect of such matters on the valuation conclusion.

Users of this report are advised to pay attention to the potential effect of the aforesaid special matters on the valuation conclusion.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the enterprise to be valued resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the valued enterprise runs on a going concern basis according to the actual conditions of the assets on the valuation base date.

3. It is assumed that the current and future operators and managers of the enterprise to be valued exercise due diligence, and the management of such enterprise are competent in discharging their duties to ensure that the enterprise to be valued is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

4. It is assumed that the enterprise to be valued is in full compliance with all relevant laws and regulations in the country, without committing any significant violation that prejudices corporate development and revenue.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that such enterprise's management approaches and standards and the operating scopes and models in the future will remain consistent with the planning.

7. It is assumed that there will be no material changes in the requirements currently implemented or determined to be implement regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that the major business models of such enterprise remain stable and the main place of taxation will remain as British Virgin Island, and that the percentage of taxable income in the country where its subsidiaries reside over the total taxable income remains stable.

9. According to the corporate development strategies, the business scale will continue to expand in the forthcoming years, and the enterprise to be valued will purchase containers and invest in leasing services according to the investment plan. In addition, ample fund to satisfy the investing requirements will be raised.

10. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

3. HELEN INSURANCE

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Hong Kong) Holdings Co., Limited proposed to transfer its 100% equity interests in Helen Insurance Brokers Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

Such economic behavior has been approved by China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Hong Kong) Holdings Co., Limited of its 100% equity interests in Helen Insurance Brokers Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

III. Subject and Scope of Valuation

1. Subject of Valuation

The subject of valuation is the 100% equity interests in Helen Insurance Brokers Limited held by China Shipping (Hong Kong) Holdings Co., Limited.

2. Scope of Valuation

The scope of valuation covers all assets and liabilities reported by Helen Insurance Brokers Limited as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The market approach and income approach has been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Income approach

The income approach in the appraisal of enterprise value refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income. The income approach normally consists of the dividend discount method and the discounted cash flow method.

This appraisal has, based on the audited combined statements of the enterprise, used the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow uses the Free Cash Flow of Firm (FCFF). Specifically, using the Weighted Average Cost of Capital (WACC) as the discount rate, the value of total equity interest of shareholder is arrived at by adding the expected free cash flow of firm for each of the coming years to derive the operational asset value, less the value of interest-bearing debt and minority interests, then plus the value of the non-operational assets and surplus assets.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many listed companies on international capital market which operate in the same industry as the appraisal subject, certain comparable listed companies are selected in this appraisal whereby the value of the appraisal subject is determined based on the appropriate value ratios as calculated based on analyzing and comparing the operational and financial data of the comparable companies and those of the appraisal subject. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples; considering the liquidity discount; considering the control premium.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, Helen Insurance Brokers Limited had net assets with the carrying value of HK$26.9090 million (equivalent to RMB22.0870 million). The appraised value of net assets was HK$220.7915 million (equivalent to RMB181.2257 million), which was RMB159.1387 million or 720.51% higher than its carrying value.

The valuation conclusion: as at 30 September 2015, being the valuation base date, the appraised value of all shareholders' equity of Helen Insurance Brokers Limited was RMB181.2257 million. Namely, the appraised value of the 100% equity interests in Helen Insurance Brokers Limited held by China Shipping (Hong Kong) Holdings Co., Limited was RMB181.2257 million.

The comparable companies selected in this appraisal under market approach are listed in the United States, being a developed market, which in particular operate in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation conclusion stated in the valuation report is valid for one year from 30 September 2015 (i.e. the valuation base date) to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

Nil.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the enterprise to be valued resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the valued enterprise runs on a going concern basis according to the actual conditions of the assets on the valuation base date.

3. It is assumed that the current and future operators and managers of the enterprise to be valued exercise due diligence, and the management of such enterprise are competent in discharging their duties to ensure that the enterprise to be valued is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

4. It is assumed that the enterprise to be valued is in full compliance with all relevant laws and regulations in the country, without committing any significant violation that prejudices corporate development and revenue.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that such enterprise's management approaches and standards and the operating scopes and models in the future will remain consistent with the planning.

7. It is assumed that there will be no material changes in the requirements currently implemented or determined to be implement regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that all various industrial qualifications of such business entity can be continuously renewed within the specified periods.

9. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

4. CS NAUTICGREEN

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Hong Kong) Holdings Co., Limited proposed to transfer its 100% equity interests in China Shipping Nauticgreen Holdings Company Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

Such economic behavior has been approved by China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Hong Kong) Holdings Co., Limited of its 100% equity interests in China Shipping Nauticgreen Holdings Company Limited to China Shipping Container Lines (Hong Kong) Co., Limited.

III. Subject and Scope of Valuation

1. Subject of Valuation

The subject of valuation is the 100% equity interests in China Shipping Nauticgreen Holdings Company Limited held by China Shipping (Hong Kong) Holdings Co., Limited.

2. Scope of Valuation

The scope of valuation covers all assets and liabilities reported by China Shipping Nauticgreen Holdings Company Limited as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The asset-based approach has been adopted for the valuation, and the valuation conclusion has been arrived at using the asset-based approach.

1. Asset-based approach

Asset-based approach used in appraisal of enterprise value is an appraisal method for determining the value of appraisal subject by reasonable appraisal of all its assets and liabilities on the basis of its balance sheet at the appraisal base date. In the case of employing asset-based approach in appraisal of enterprise value, the value of each asset is calculated by choosing a specific applicable appraisal method according to the particulars of such asset item.

2. *Income approach*

As long-term lease agreements have been signed for the constructions in progress under long-term equity investment of CS Nauticgreen, such constructions in progress are assets with secured income. Therefore, the constructions in progress under long-term equity investment are appraised using income approach and the appraisal results under income approach are used for price determination purpose.

As to single asset, the income approach mainly refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income. This appraisal has used the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow has used the Net Operating Income (NOI) to be generated in the future. Specifically, using the assets risk premium rate calculated by summation method as the discount rate, the value of constructions in progress is arrived at by adding the discounted cash flow from expected net income for each of the coming years.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, China Shipping Nauticgreen Holdings Company Limited had total assets with the carrying value of RMB1,439.9088 million, total liabilities with the carrying value of RMB0.5589 million, and net assets with the carrying value of RMB1,439.3499 million; the appraised values of total assets, total liabilities and net assets were RMB1,519.0288 million, RMB0.5589 million and RMB1,518.4699 million, respectively. As such, the apprised value of total assets was RMB79.1200 million or 5.49% higher than its carrying value; the apprised value of net assets was RMB79.1200 million or 5.50% higher than its carrying value, details of which are set out in the table below:

Summary Table of Asset Appraisal Results
Valuation base date:30 September 2015

Appraised Entity: China Shipping Nauticgreen Holdings Company Limited
Unit: RMB ten thousand

Item		Carrying amount A	Appraisal value B	Increase/ Decrease Amount C=B-A	Increase Rate D=C/A×100%
1	Current assets	143,987.60	143,987.60	0.00	0.00%
2	Non-current assets	3.28	7,915.28	7,912.00	241219.51%
3	Long-term equity investments	3.28	7,915.28	7,912.00	241219.51%
4	Fixed assets				
5	Intangible assets				
6	Other assets				
7	**Total assets**	143,990.88	151,902.88	7,912.00	5.49%
8	Current liabilities	55.89	55.89	0.00	0.00%
9	Non-current liabilities				
10	**Total liabilities**	55.89	55.89	0.00	0.00%
11	**Net assets (Owner's equity)**	143,934.99	151,846.99	7,912.00	5.50%

The valuation conclusion: as at 30 September 2015, being the valuation base date, the appraised value of all shareholders' equity of China Shipping Nauticgreen Holdings Company Limited was RMB1,518.4699 million. Namely, the appraised value of the 100% equity interests in China Shipping Nauticgreen Holdings Company Limited held by China Shipping (Hong Kong) Holdings Co., Limited was RMB1,518.4699 million.

The valuation conclusion stated in the valuation report is valid for one year from 30 September 2015 (i.e. the valuation base date) to 29 September 2016.

As CS Nauticgreen has not conducted any actual business operations in recent years and only existed as a holding company, the asset-based approach was used to appraise CS Nauticgreen, the results of which was adopted as final appraisal conclusion.

VIII. Special Matters Affecting the Valuation Conclusion

According to the incorporation information of relevant companies provided by the appraised entity, China Shipping Nauticgreen had six wholly-owned subsidiaries. However, as at the valuation base date, as the two wholly-owned single-ship subsidiaries only went through incorporation formalities without any capital contribution having been made by China Shipping Nauticgreen, these two companies was not shown on the accounts of the appraised entity. Based on the available materials such as the relevant legal incorporation documents, the valuer confirmed that, as at the valuation base date, these two companies had been incorporated only, but had not commenced any operation activities, while they were not included in the carrying amount of the long-term equity investment of China Shipping Nauticgreen as shown in relevant auditing materials. As a result, there two companies was not included in the scope of this valuation because it is deemed that China Shipping Nauticgreen had not yet in substance made equity investment in such two companies.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the enterprise to be valued resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the valued enterprise runs on a going concern basis according to the actual conditions of the assets on the valuation base date.

3. It is assumed that the current and future operators and managers of the enterprise to be valued exercise due diligence, and the management of such enterprise are competent in discharging their duties to ensure that the enterprise to be valued is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

4. It is assumed that the enterprise to be valued is in full compliance with all relevant laws and regulations in the country, without committing any significant violation that prejudices corporate development and revenue.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that the vessels included in the construction in progress have an operational term of 25 years; the income level shall be those as stipulated in the contracts during the lease term and, upon the expiry of the contract, shall be estimated in stages by reference to the income level of the former lease contract or at a discount to such income level; and the residue value of the vessel will be recovered in accordance with the way of disposal upon the expiry of the operational term.

7. It is assumed that there will be no material changes in the requirements currently implemented or determined to be implement regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that all various industrial qualifications of such business entity can be continuously renewed within the specified periods.

9. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

5. CS LEASING

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Group) Company proposed to transfer its 100% equity interests in China Shipping Leasing Co., Ltd.

Such economic behavior has been approved by the board of directors of China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Group) Company of its 100% equity interests in China Shipping Leasing Co., Ltd.

III. Subject and Scope of Valuation

The subject of valuation is the value of 100% equity interests in China Shipping Leasing Co., Ltd. held by China Shipping (Group) Company.

The scope of valuation covers all assets and liabilities reported by China Shipping Leasing Co., Ltd as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The market approach and income approach has been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Income approach

The income approach in the appraisal of enterprise value refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income. The income approach normally consists of the dividend discount method and the discounted cash flow method.

This appraisal has, based on the audited separate statements of the enterprise, used the discounted future income method by way of cash flow, namely Discounted Cash Flow method (DCF), among which, the cash flow uses the Free Cash Flow to Equity (FCFE). Specifically, using the Capital Asset Pricing Model (CAPM) as the discount rate, the value of total equity interest of shareholder is arrived at by adding the expected free cash flow to equity for each of the coming years to derive the operational asset value, plus the value of the non-operational assets and surplus assets.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many sale and purchase, acquisition and merger cases on domestic market carried out by companies operating in the same or similar industry as the appraised entity and such information and data are publicly available, the comparable transaction case method was adopted in this appraisal. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date,China Shipping Leasing Co., Ltd had total assets with the carrying value of RMB3,281.3099 million, total liabilities with the carrying value of 1,714.5224 million and net assets with the carrying value of RMB1,566.7875 million. The appraised value of entire shareholders' equity was RMB1,995.6070 million, which was RMB428.8195 million or 27.37% higher than the carrying value of the entire shareholders' equity.

The comparable transaction cases selected in this appraisal under market approach are conducted by companies operating in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for the period from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

Nil.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) General Assumptions

1. Transactional assumptions: it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. Going-concern basis assumptions: valuation is based on the entire assets of an enterprise as the business entity to be valued. As an operating entity, the business in the external environment where it resides continues operations according to its operating objectives. The operators of such enterprise are responsible to and able to assume obligations. During the legal operation, appropriate profits can be obtained to sustain its ongoing operation.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the management of CS Leasing exercise due diligence, and continue the current operating and management models on a going concern basis.

3. The main revenue source of CS Leasing is derived from interests income and handling fees. During the forthcoming operating periods, the income structure and percentage of its major operations will remain at the same level without any significant change.

4. It is assumed that the accounting policies to be adopted by CS Leasing for the future are basically identical to those adopted during the preparation of this report in material aspects. All taxes and tax rates of CS Leasing experience no material changes.

5. The valuation is made based on the current operating strategy, operating ability and operation status, without taking into account any effect of future changes in the management on the valuation results.

6. The predicted parameters as input value in this valuation do not factor in the effect of inflation.

7. It is assumed that there will be no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that a balance will be achieved between the size of leasing assets of CS Leasing and its corresponding source of funds in the forecast period, and the size of funds corresponding to its needs would be successfully raised by means such as loans in the forecast period.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

6. CS INVESTMENT

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Group) Company, Guangzhou Maritime Transport (Group) Co., Ltd and Shanghai Shipping (Group) Company proposed to transfer their respective 89.79%, 7.95% and 2.26% equity interests in China Shipping Investment Co., Ltd.

Such economic behavior has been approved by the board of directors of China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

As commissioned by China Shipping (Group) Company, Guangzhou Maritime Transport (Group) Co., Ltd and Shanghai Shipping (Group) Company, China Tong Cheng Assets Appraisal Co., Ltd conducted an appraisal on the value of all the assets and liabilities of China Shipping Investment Co., Ltd. involved in this economic behavior, for the purpose to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Group) Company, Guangzhou Maritime Transport (Group) Co., Ltd and Shanghai Shipping (Group) Company of their respective 89.79%, 7.95% and 2.26% equity interests in China Shipping Investment Co., Ltd.

III. Subject and Scope of Valuation

The subject of valuation is the 89.79%, 7.95% and 2.26% equity interests in China Shipping Investment Co., Ltd. proposed to be transferred by China Shipping (Group) Company, Guangzhou Maritime Transport (Group) Co., Ltd and Shanghai Shipping (Group) Company, respectively.

The scope of valuation covers all assets and liabilities reported by China Shipping Investment Co., Ltd. as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

1. Asset-based approach

Asset-based approach used in appraisal of enterprise value is an appraisal method for determining the value of appraisal subject by reasonable appraisal of all its assets and liabilities on the basis of its balance sheet at the appraisal base date. In the case of employing asset-based approach in appraisal of enterprise value, the value of each asset is calculated by choosing a specific applicable appraisal method according to the particulars of such asset item.

2. Income approach

As one item of long-term equity investment of CS Investment has established clear dividends distribution plan, such long-term equity investment is appraised using income approach and the appraisal results under income approach are used for price determination purpose.

The income approach in the appraisal of enterprise value refers to the appraisal method used in determining the value of the appraisal subject by capitalizing or discounting the expected income.This appraisal has used the Dividend Discount Model (DDM) Specifically, using the Capital Asset Pricing Model (CAPM) as the discount rate, the value of such long-term equity investment is arrived at by adding the discounted cash flow from expected dividends for each of the coming years.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, the value of the entire shareholders' equity of China Shipping Investment Co., Ltd. was RMB3,458.4549 million. The value of the shareholders' equity attributable to the respective 89.79%, 7.95% and 2.26% equity interests in China Shipping Investment Co., Ltd held by China Shipping (Group) Company, Guangzhou Maritime Transport(Group) Co.,Ltd and Shanghai Shipping (Group) Company was RMB3,105.3467 million, RMB274.9472 million and RMB78.1611 million, respectively.

Given that it is unable to make future profit forecast in respect of CS Nauticgreen as it mainly engages in equity investment by means such as acquisition of financial assets; there are no listed companies with similar business scope or revenue-generating method; and there are no recent equity transaction cases carried out by similar companies, the asset-based approach was used to appraise CS Investment, the results of which was adopted as final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for the period from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

Users of this report are advised to pay attention to the potential effect of the following special matters on the valuation conclusion.

1. China Shipping Investment Co., Ltd held 14,025,130 shares of Shanghai AJ Group Co., Ltd (the "AJ Group"). Trading of the shares of AJ Group had been suspended from 30 June 2015 due to its planning of significant events and had not resumed as at the valuation base date. In this valuation, we did not take into account the effect of such significant events on the share price, and assumed that there was no movement in the share price during the period from 30 June 2015 up to the valuation base date.

2. As at the valuation base date, China Shipping Investment Co., Ltd had one guarantee provided for external party, details of which are set out as below:

Item	Contract No.	Form of guarantee	Creditor of the master contract	Guarantee provided for	Guaranteed amount *(In RMB ten thousand)*	Term of guarantee	Use of the loan
1	17151000766101	Guarantee	Industrial and Commercial Bank of China Limited – Shanghai Waitan Branch	China Shipping Leasing Co., Ltd	50,000	Two years from the next day upon the expiry of the contract term	Purchase of leasing assets

3. This appraisal did not take into account any minority discount or control premium.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) General Assumptions

1. Transactional assumptions: it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. Going-concern basis assumptions: valuation is based on the entire assets of an enterprise as the business entity to be valued. As an operating entity, the business in the external environment where it resides continues operations according to its operating objectives. The operators of such enterprise are responsible to and able to assume obligations. During the legal operation, appropriate profits can be obtained to sustain its ongoing operation.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the management of CS Investment exercise due diligence, and continue the current operating and management models on a going concern basis.

3. The main revenue source of CS Investment is derived from investment income from financial assets and equity. During the forthcoming operating periods, the income structure and percentage of its major operations will remain at the same level without any significant change.

4. It is assumed that the accounting policies to be adopted by CS Investment for the future are basically identical to those adopted during the preparation of this report in material aspects. All taxes and tax rates of CS Investment experience no material changes.

5. The valuation is made based on the current operating strategy, operating ability and operation status, without taking into account any effect of future changes in the management on the valuation results.

6. The predicted parameters as input value in this valuation do not factor in the effect of inflation.

7. It is assumed that there will be no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. CS Investment held 14,025,130 shares of Shanghai AJ Group Co., Ltd (the "AJ Group", stock code: 600643). Trading of the shares of AJ Group had been suspended from 30 June 2015 due to its planning of significant events and had not resumed as at the appraisal base date. In this valuation, we did not take into account the effect of such significant events on the share price and have assumed that the share price remain unchanged from 30 June 2015 to the Valuation Base Date.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

7. CS FINANCE

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping (Group) Company and Guangzhou Maritime Transport (Group) Co., Ltd proposed to transfer their respective 20% and 20% equity interests in China Shipping Finance Co., Ltd.

Such economic behavior has been approved by the board of directors of China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

As commissioned by China Shipping (Group) Company and Guangzhou Maritime Transport (Group) Co.,Ltd, China Tong Cheng Assets Appraisal Co., Ltd conducted an appraisal on the value of the partial shareholders' equity of China Shipping Finance Co., Ltd. involved in this economic behavior, for the purpose to provide a value reference for the economic behavior in relation to the proposed transfer by China Shipping (Group) Company and Guangzhou Maritime Transport (Group) Co., Ltd of their respective 20% and 20% equity interests in China Shipping Finance Co., Ltd.

III. Subject and Scope of Valuation

The subject of valuation is the 20% and 20% equity interests in China Shipping Finance Co., Ltd. proposed to be transferred by China Shipping (Group) Company and Guangzhou Maritime Transport (Group) Co.,Ltd, respectively.

The scope of valuation covers all assets and liabilities reported by China Shipping Finance Co., Ltd. as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The market approach and asset-based approach have been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Asset-based approach

Asset-based approach used in appraisal of enterprise value is an appraisal method for determining the value of appraisal subject by reasonable appraisal of all its assets and liabilities on the basis of its balance sheet at the appraisal base date. In the case of employing asset-based approach in appraisal of enterprise value, the value of each asset is calculated by choosing a specific applicable appraisal method according to the particulars of such asset item.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many sale and purchase, acquisition and merger cases on domestic market carried out by companies operating in the same or similar industry as the appraised entity and such information and data are publicly available, the comparable transaction case method was adopted in this appraisal. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, the appraised value of all shareholders' equity of China Shipping Finance Co., Ltd. was RMB1,277.4667 million. The appraised value of the 20% and 20% shareholders' equity in China Shipping Finance Co., Ltd. proposed to be transferred by China Shipping (Group) Company and Guangzhou Maritime Transport (Group) Co., Ltd was RMB255.4933 million and RMB255.4933 million, respectively.

The comparable transaction cases selected in this appraisal under market approach are conducted by companies operating in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for one year from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

Users of this report are advised to pay attention to the potential effect of the following special matters on the valuation conclusion.

1. Interest payable was generated automatically from the business software system. As advised by China Shipping Finance Co., Ltd., the current business system failed to provide the detailed information about the calculation of interests payable as at the end of the period, and accordingly this valuation did not conduct such calculations and assumed that the information on interests payable is true and accurate.

2. Similar to that with the appraised entity, the transfer subject of the three comparable transaction cases adopted in the appraisal is each a finance company as a member and an internal capital management platform of a group with their shareholders being members of the relevant group, which did not involve control premium. As such, this valuation did not take into account the factor of control premium.

3. As the transaction data under this valuation did not involve the liquidity factor, this valuation did not take into consideration the discount for lack of liquidity.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) General Assumptions

1. Transactional assumptions: it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. Going-concern basis assumptions: valuation is based on the entire assets of an enterprise as the business entity to be valued. As an operating entity, the business in the external environment where it resides continues operations according to its operating objectives. The operators of such enterprise are responsible to and able to assume obligations. During the legal operation, appropriate profits can be obtained to sustain its ongoing operation.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the management of CS Finance exercise due diligence, and continue the current operating and management models on a going concern basis.

3. The main revenue source of CS Finance is derived from interest income and income from handling fees. During the forthcoming operating periods, the income structure and percentage of its major operations will remain at the same level without any significant change.

4. It is assumed that the accounting policies to be adopted by CS Finance for the future are basically identical to those adopted during the preparation of this report in material aspects. All taxes and tax rates of CS Finance experience no material changes.

5. The valuation is made based on the current operating strategy, operating ability and operation status, without taking into account any effect of future changes in the management on the valuation results.

6. It is assumed that there will be no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

8. COSCO FINANCE

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Shipping Container Lines Company Limited proposed to made capital increase in COSCO Finance Co., Ltd..

Such economic behavior has been approved by the board of directors of China Ocean Shipping (Group) Company and China Shipping (Group) Company under the *Resolutions of the 52nd Meeting of the First Board of Directors of China Ocean Shipping (Group) Company* which has been issued.

Such economic behavior has been approved by the board of directors of China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed capital increase by China Shipping Container Lines Company Limited in COSCO Finance Co., Ltd.

III. Subject and Scope of Valuation

The subject of valuation is the value of the entire shareholders' equity of COSCO Finance Co., Ltd.

The scope of valuation covers all assets and liabilities reported by COSCO Finance Co., Ltd. as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

The asset-based approach and market approach have been adopted for the valuation, and the valuation conclusion has been arrived at using the market approach.

1. Asset-based approach

Asset-based approach used in appraisal of enterprise value is an appraisal method for determining the value of appraisal subject by reasonable appraisal of all its assets and liabilities on the basis of its balance sheet at the appraisal base date. In the case of employing asset-based approach in appraisal of enterprise value, the value of each asset is calculated by choosing a specific applicable appraisal method according to the particulars of such asset item.

2. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many sale and purchase, acquisition and merger cases on domestic market carried out by companies operating in the same or similar industry as the appraised entity and such information and data are publicly available, the comparable transaction case method was adopted in this appraisal. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 30 September 2015, being the valuation base date, the appraised value of all shareholders' equity of COSCO Finance Co., Ltd. was RMB2,890.6703 million.

The comparable transaction cases selected in this appraisal under market approach are conducted by companies operating in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation conclusion is valid for the specific valuation purpose only which is the proposed capital increase by China Shipping Container Lines Company Limited in COSCO Finance Co., Ltd.

The valuation results stated in the valuation report is valid for the period from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

1. As at the valuation base date, the buildings and structures of the appraised entity, namely the 19/F, Yuetan Building (月壇大廈19層) and Unit 506, Block 5, Yixiuyuan, Xiaonanzhuang Village (小南莊怡秀園5號樓506) have not obtained the property ownership certificate. This valuation did not take into account the effect of such matter on the appraised value of the relevant properties.

2. Similar to that with the appraised entity, the transfer subject of the three comparable transaction cases adopted in the appraisal is each a finance company as a member and an internal capital management platform of a group with their shareholders being members of the relevant group, which did not involve control premium. As such, this valuation did not take into account the factor of control premium.

3. As the transaction data under this valuation did not involve the liquidity factor, this valuation did not take into consideration the liquidity discount.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. It is assumed that there will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country, or significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located.

2. It is assumed that the valued enterprise runs on a going concern basis.

3. It is assumed that the operators of the enterprise exercise due diligence, and the management of such enterprise are competent in discharging their duties.

4. Unless otherwise stated, it is assumed that the enterprise to be valued is in full compliance with all relevant laws and regulations.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that such enterprise's current management approaches and standards and the operating scopes and models will remain consistent with the current orientation.

7. It is assumed that there will be no material changes in the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

9. LONG HONOUR

SUMMARY

I. Economic Behavior Corresponding to the Valuation

COSCO (Hong Kong) Group Limited proposed to transfer its entire shareholders' equity in Long Honour Investments Limited.

Such economic behavior has been approved by the board of directors of China Ocean Shipping (Group) Company and China Shipping (Group) Company under the *Resolutions of the 52nd Meeting of the First Board of Directors of China Ocean Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

The purpose of the valuation is to provide a value reference for the economic behavior in relation to the proposed transfer by COSCO (Hong Kong) Group Limited of its entire shareholders' equity in Long Honour Investments Limited.

III. Subject and Scope of Valuation

1. Subject of Valuation

The subject of valuation is the entire shareholders' equity in Long Honour Investments Limited held by COSCO (Hong Kong) Group Limited.

2. Scope of Valuation

The scope of valuation covers all assets and liabilities reported by Long Honour Investments Limited as at the valuation base date.

IV. Type of Value

Market value

V. Valuation Base Date

31 October 2015

VI. Valuation Approach

The asset-based approach has been adopted for the valuation, and the valuation conclusion has been arrived at using the asset-based approach.

Asset-based approach used in appraisal of enterprise value is an appraisal method for determining the value of appraisal subject by reasonable appraisal of all its assets and liabilities on the basis of its balance sheet at the appraisal base date. In the case of employing asset-based approach in appraisal of enterprise value, the value of each asset is calculated by choosing a specific applicable appraisal method according to the particulars of such asset item.

VII. Valuation Conclusion, Reasons and its Validity Period

As at 31 October 2015, being the valuation base date, Long Honour Investments Limited had total assets with the carrying value of RMB7,737.4036 million, total liabilities with the carrying value of RMB7,466.0722 million, and net assets with the carrying value of RMB271.3313 million; the appraised values of total assets, total liabilities and net assets were RMB10,237.0448 million, RMB7,466.0722 million and RMB2,770.9726 million; respectively. As such, the appraised value of total assets was RMB2,499.6412 million or 32.31% higher than its carrying value; and the appraised value of net assets was RMB2,499.6413 million or 921.25% higher than its carrying value.

As Long Honour has not conducted any actual business operations in recent years and only existed as a holding company, the asset-based approach was used to appraise Long Honour, the results of which was adopted as final appraisal conclusion.

The valuation conclusion stated in the valuation report is valid for one year from 31 October 2015 (i.e. the valuation base date) to 30 October 2016.

VIII. Special Matters Affecting the Valuation Conclusion

1. Long-term equity investment represents the 0.94% equity interests in the H shares of China International Marine Containers (Group) Co., Ltd. and the 100% equity interests in COSCO Container Industries Limited held by Long Honour, which were not subject to any control premium or liquidity discount. As such, the valuation did not take into account any control premium or liquidity discount.

Users of this report are advised to pay attention to the potential effect of the aforesaid special matters on the valuation conclusion.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

This valuation report and the valuation conclusions are based on the following assumptions:

(I) Basic Assumptions

1. Transactional assumptions. Under the transactional assumptions, it is assumed that all assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be value.

2. Open market assumptions. Under the open market assumptions, it is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

3. In-use and continue-to-use assumptions. Under the in-use and continue-to-use assumptions, it is assumed that the valued assets being used would continue to be used for its current purposes and in the same way after the change in titles and the occurrence of asset business.

(II) Specific Assumptions

1. There will be no significant changes in the relevant prevailing laws, regulations and policies as well as macro-economic situation of the country and place where the business entity to be valued resides, significant changes in the political, economic or social environment in the regions in which the parties to the transaction are located, or material adverse effects arising from other unforeseeable factors and force majeure.

2. It is assumed that the valued enterprise runs on a going concern basis according to the actual conditions of the assets on the valuation base date.

3. It is assumed that the current and future operators and managers of the business entity to be valued exercise due diligence, and the management of such business entity are competent in discharging their duties to ensure that the business entity to be valued is able to operate on a going concern basis, the development, production, and operation plans of which can be fulfilled as scheduled.

4. It is assumed that the business entity to be valued is in full compliance with all relevant laws and regulations in the country, without committing any significant violation that prejudices corporate development and revenue.

5. It is assumed that the accounting policies to be adopted by such enterprise in the future are basically identical to those adopted during the preparation of this report in material aspects.

6. It is assumed that such enterprise's management approaches and standards and the operating scopes and models in the future will remain consistent with the planning.

7. It is assumed that there will be no material changes in the requirements currently implemented or determined to be implement regarding the relevant interest rates, exchange rates, taxation bases and tax rates, and government levies.

8. It is assumed that all various industrial qualifications of such business entity can be continuously renewed within the specified periods.

9. It is assumed that no other force majeure and unforeseeable factors will have a material adverse effect on the entity.

According to the requirements of the asset valuation, these assumptions are deemed to be valid on the valuation base date. We will not accept any responsibility for any different valuation conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

10. CBHB

SUMMARY

I. Economic Behavior Corresponding to the Valuation

China Ocean Shipping (Group) Company proposed to transfer its 13.67% equity interests in CBHB.

Such economic behavior has been approved by the board of directors of China Ocean Shipping (Group) Company and China Shipping (Group) Company under the *Resolutions of the 52nd Meeting of the First Board of Directors of China Ocean Shipping (Group) Company* which has been issued.

Such economic behavior has been approved by the board of directors of China Shipping (Group) Company under the *Resolutions of the 47th Meeting of the First Board of Directors of China Shipping (Group) Company* which has been issued.

II. Purpose of Valuation

As commissioned by China Ocean Shipping (Group) Company, China Tong Cheng Assets Appraisal Co., Ltd conducted an appraisal on the value of the partial shareholders' equity of CBHB involved in this economic behavior, for the purpose to provide a value reference for the economic behavior in relation to the proposed transfer by China Ocean Shipping (Group) Company of its 13.67% equity interests in CBHB.

III. Subject and Scope of Valuation

The subject of valuation is the 13.67% equity interests in CBHB proposed to be transferred by China Ocean Shipping (Group) Company.

The scope of appraisal covers the all the assets and the profitability of CBHB as at the valuation base date to the extent as involved in this economic behavior.

IV. Type of Value

Market value

V. Valuation Base Date

30 September 2015

VI. Valuation Approach

Market approach

1. Market approach

The market approach in the appraisal of enterprise value refers to the appraisal method used for determining the value of the appraisal subject by comparing the appraisal subject with comparable listed companies or comparable transaction cases. Given that there are relatively many listed companies on domestic capital market which operate in the same industry as the appraisal subject, certain comparable listed companies are selected in this appraisal whereby the value of the appraisal subject is determined based on the appropriate value ratios as calculated based on analyzing and comparing the operational and financial data of the comparable companies and those of the appraisal subject. Specifically, the basic steps includes: selecting comparable companies; analyzing and comparing the financial statements of the comparable companies and those of the appraisal subject, and making proper adjustment; selecting, calculating and determining value multiples; considering the liquidity discount.

VII. Valuation Conclusion, Reasons and its Validity Period

The appraised value under this valuation based on the market approach, being RMB5,448.0480 million, was adopted as the value of the partial shareholders' equity of CBHB. proposed to be transferred by China Ocean Shipping (Group) Company, which was RMB3,472.7330 million or 175.81% higher than its carrying value of RMB1,975.3150 million.

The comparable companies selected in this appraisal under market approach are listed in domestic capital market, which in particular operate in the same industry segment as the appraised entity with similar business type and assets operating mode, and thus presents good comparability. The appraisal results using market approach could fairly reflect the market value of the appraisal entity as at the appraisal base date. Therefore, the appraisal results using market approach was adopted as the final appraisal conclusion of this appraisal.

The valuation results stated in the valuation report is valid for the period from 30 September 2015 to 29 September 2016.

VIII. Special Matters Affecting the Valuation Conclusion

Users of this report are advised to pay attention to the potential effect of the following special matters on the valuation conclusion.

1 Given that CO Company is a non-controlling shareholder of CBHB due to its relatively small shareholding, we were unable to undertake procedures such as on-site inspection due to such limitations. We only gained understanding and made information inspection in respect of the valuation subject through the information provided by the entrusting party such as the company profile, audit reports, management accounts and capital contribution evidences. The basic data necessary to conduct the valuation were derived from the aforesaid materials;

2. We did not conduct any work of an audit nature, nor did we conduct any verification or validation procedures in respect the financial or other information in this report (unless otherwise specified). All the information were derived from the information provided by relevant departments of CO Company;

3. In December 2009, as approved by the decision of the shareholders' general meeting and the China Banking Regulatory Commission (the "CBRC"), CBHB increased its share capital by RMB3.5 billion by way of allotment of new shares to existing shareholders, upon which, the shareholding of each shareholder remained unchanged. In January 2010, pursuant to the "Proposal for the Second Round of Capital Increase and Share Capital Enlargement of CBHB" (the "Proposal") passed at its shareholders' general meeting, CBHB proposed to increase its capital by RMB5.95 billion by way of allotment of new shares to existing shareholders (the "Second Capital Increase"), which was submitted to CBRC for approval. Pursuant to the approval of CBRC issued on 18 January 2011, the remaining six shareholders other than Tianjin Trust were allowed to proceed with the allotment of new shares in accordance with the previously agreed proportions. Upon completion of such allotment of new shares, the subscribed registered capital of CBHB was RMB14.45 billion, while the paid-in registered capital was RMB13.855 billion as Tianjin Trust did not pay its capital subscription. As the Second Capital Increase was yet to be completed, the registered capital as registered with competent authority for industry and commerce remained RMB8.5 billion.

As Tianjin Trust did not pay the capital contribution under the Second Capital Increase, the effective shareholding of CO Company shall exceed 13.67% upon the Second Capital Increase. The valuation was conducted based on the following assumption:

Net assets attributable to CO Company as at the valuation base date = 13.67% of the net assets before the capital increase in 2011 + capital contribution made by CO Company in 2011 + net profit for period from 2011 to 30 September 2015 based on the percentage of the capital paid up by CO Company in the total paid-up capital of CBHB.

Under the aforesaid assumptions, share of the equity interests in CBHB attributable to CO Company is derived by dividing the net assets attributable to CO Company by the entire net assets of CBHB as at the valuation base date, which was used in the valuation for calculation of the value of the 13.67% equity interests held by CO Company in CBHB.

The above contents have been extracted from the text of the asset valuation report. Please read the text of the asset valuation report for details of this valuation project and having a reasonable understanding of the valuation conclusion.

ASSUMPTIONS OF VALUATION

(I) Transactional assumptions. All assets to be valued are already in the process of transaction, and the Valuer carries out valuation based on a simulated market, including the transactional conditions of the assets to be valued;

(II) Open market assumptions. It is assumed that the assets to be valued can be transacted in the open market to realize its market value. The market value of such assets is subject to the market mechanisms, and depends on the market quotation rather than an individual transaction. The open market herein refers to a competitive market with adequately developed and well-established market conditions as well as willing buyers and sellers who are equal to have sufficient opportunities and ample time to obtain market information, whereby the transaction is conducted on a willing and reasonable basis on either buyer or seller without any duress or restrictions.

(III) As Tianjin Trust did not pay the capital contribution under the Second Capital Increase, the effective shareholding of CO Company shall exceed 13.67% upon the Second Capital Increase. The valuation was conducted based on the following assumption:

(IV) As Tianjin Trust did not pay the capital contribution under the Second Capital Increase, the effective shareholding of CO Company shall exceed 13.67% upon the Second Capital Increase. The valuation was conducted based on the following assumption:

Net assets attributable to CO Company as at the valuation base date = 13.67% of the net assets before the capital increase in 2011 + capital contribution made by CO Company in 2011 + net profit for period from 2011 to 30 September 2015 based on the percentage of the capital paid up by CO Company in the total paid-up capital of CBHB.

Under the aforesaid assumptions, share of the equity interests in CBHB attributable to CO Company is derived by dividing the net assets attributable to CO Company by the entire net assets of CBHB as at the valuation base date, which was used in the valuation for calculation of the value of the 13.67% equity interests held by CO Company in CBHB.

Adjustments shall be made to the valuation results in case that there is any inconsistency between the unanimous confirmation by all shareholders of the allocation of profit or loss for the period and the aforesaid assumptions

The following provides an overview of containership and container leasing market, and summarizes Drewry's approach in assisting China COSCO and CS Container in determining lease rates and tenors under the Lease Transactions.

CONTAINERSHIP

Containership leasing market

As of 1 July 2015, the global containership fleet numbered 5,157 vessels with a standing capacity of approximately 19 million TEU. The vessel fleet has grown strongly in the last 10 years, at approximately 11% and 7% per annum respectively during the period 2005-2010 and 2010-2015 (measured in TEU capacity). Recently, the strongest growth has been in vessels with capacity over 10,000 TEU, at 52% per annum (measured in TEU capacity) from 2010 to 2015, as shipping lines are increasingly ordering larger vessels to exploit economies of scale.

In the large vessel segment (vessels of size 10,000 TEU and above), vessel lessors have provided an alternative to the outright purchase of vessels required for longer periods, as they have been able to finance vessel purchases on better terms than those available to carriers. In the smaller vessel segment (vessels of size 5,000 TEU and below), chartering rather than purchasing vessels is attractive where future demand is uncertain, due to unexpected volume growth or service changes.

In the case of larger vessels, charter periods are up to 10-12 years. Vessels are often contracted from the shipyard by the lessor against a firm charter commitment. In smaller vessel categories, charter periods are much shorter, usually up to 3 years.

Containership lessors are asset providers to the containership operators, providing financing and taking asset value risk. Long term contracts serve the purpose of de-risking short cycles in the freight markets and securing cash flow for debt servicing, dividend payments and further asset acquisitions.

In the current volatile markets with slow global growth, vessel lessors appear to be well placed versus the shipping lines and are in a position to capitalise on the carriers' determination to secure larger vessels in pursuit of economies of scale.

Currently, the lessors' share of the total fleet is approximately 50%, with a larger share in the smaller vessel categories, where the market is more liquid and vessels are more easily chartered on the open market. However lessors have also built a market share in the over 10,000 TEU category, with vessels invariably having a charter committed before being built.

The lessor market is relatively fragmented, with the top 10 players representing a share of only 37% (measured in TEU capacity) as of July 2015. However, the top 10 players dominate in the larger vessel segments (over 60% of total TEU capacity) while only having a small share of the smaller vessel segments (14% of TEU capacity of vessels under 4,000 TEU).

Charter rates have declined for vessel size ranges of 5,000-5,999 TEU and 6,000-6,999 TEU, with rates in the last two years below the 5-year and 10-year averages. This reflects the greater availability of vessels of these sizes, and therefore the more liquid market. Rates for vessels of 8,000-11,999 TEU have shown greater stability, in a less liquid market. In the last two years, a majority of the fixtures in this size range have been new vessels and/or on longer charters (3-5 years), as a result of which rates have held up better than smaller vessels. Time charter rates for vessels above 12,000 TEU peaked in early 2008. After the financial crisis, in 2010, there was an unexpected recovery in the container shipping market. This led to a favourable charter market in the first half of 2011. Since 2012, charter rates have declined in parallel with newbuilding prices.

Drewry has followed the following principles and calculation assumptions in determining the lease rates and tenors for containerships.

Key principle: fairness

- In accordance with the instructions given to Drewry by China COSCO and CS Container, the core principle that it has applied in preparing its recommendations is fairness.

- The aim of Drewry is to allow China COSCO to pay CS Container reasonable rates based on current market vessel valuations, where overall lease payment is comparable to that under current market conditions, and CS Container is expected to generate a fair rate of return.

Methodology

For CS Container's self-owned vessels, the lease rate has been determined based on the (i) the current market values of the vessels; (ii) residual value at the end of the duration for the leases; (iii) a reasonable rate of return on vessel leasing; (iv) lease tenors; and (v) daily running costs on the basis of CS Container's projected vessel operating expenses (including vessel administration cost).

In proposing lease tenors, Drewry has:

– Taken into consideration market practice, liquidity of charter markets for various vessel sizes and the nature of this lease transaction deal;

– Recommended a 10-year tenor, for vessels of and above 8,000 TEU, for which charter markets have fewer transactions, and a 5-year tenor for vessels below 8,000 TEU;

– Aimed to balance income security for CS Container with operational flexibility for China COSCO;

– Used lease tenors that will qualify as operating leases (tenor of up to 75% of the vessel's remaining life according to applicable accounting principles).

Drewry has classified the vessels in the fleet according to their container carrying capacity and their vintage. Drewry has clubbed vessels of similar age and container carrying capacity (within a margin of below 2 years) into the same of class for computation of the charter rates. When these vessels are clubbed together, Drewry has used the maximum age in this class for arriving at the maximum duration for the charters to be classified as an operating lease. By applying the methodology illustrated above and assuming, amongst other things, (i) the charter starts on 1 January 2017 and (ii) a 10-day off-hire period per year for each vessel to compute the time charter rates applicable, Drewry has arrived at the following results.

Results

Drewry has extracted market level time charter rates based, as far as possible, on comparable reported time charter fixtures of past three years of similar vessel size and age. For 2017, the calculated rates are comparable with market rates, both on an individual vessel-type basis and on an aggregate basis. Estimation of annual lease payment for CS Container's self-owned fleet based on calculated TC rate is US$665 million, whereas estimation of annual lease payment for CS Container's self-owned fleet based on market TC rate is US$666 million.

CONTAINERS

Container leasing market

At the end of 2014, the size of the global container fleet was 36.6 million TEUs, of which 17.3 million (47%) was owned by lessors, with 19.3 million (53%) owned by shipping lines. Drewry projects that by the end of 2015, 48% of the global container fleet will be lessor-owned, up from a low of 41% in 2009.

The container leasing industry provides a vital service to shipping lines, whose capital constraints mean they cannot afford to own all the containers they operate. Lessors also provide shipping lines with some operational flexibility, allowing them to downsize or increase their fleets during low and peak periods of demand.

The industry norm is for new build containers to be leased by container lessors to shipping lines for an initial period of 5 years (Long Term Lease). Thereafter, the leases are usually renewed for a further 2 or 3 years followed either by further extensions of 2 or 3 years or alternatively the containers are leased under a more flexible shorter term Master Lease.

The life expectancy of a container is generally 12 years, although some leasing companies and shipping lines are now aiming to increase this to 13 or 14 years. At the end of a container's life, it is sold in the secondary market (for use, for example, as storage capacity in the construction industry), and the second-hand market values of the containers have consistently exceeded their scrap values and therefore the sale of aged containers is an important source of income for the lessors.

By end of 2014, the top 10 lessors combined controlled 87% of the total leased container fleet, with the top 5 controlling 66% of the total leased container fleet.

The NYSE listed container leasing companies consistently reported strong revenue and operating margin growth during the period from 2009 to 2013 as shipping lines' appetite for leasing increased. However, during the last two years, competition among lessors has increased as global container trade volume growth has slowed. The lessors have continued with their strategies to increase market share, encouraged by the low cost of readily available finance and declining new container prices. As a result, market lease rates have declined.

Drewry has followed the following principles and calculation assumptions in determining the lease rates and tenors for containers.

Key principle: fairness

- In accordance with the instructions given to Drewry by China COSCO and CS Container, the core principle that it has applied in preparing its recommendations is fairness.
- The aim of Drewry is to allow China COSCO to pay CS Container reasonable rates based on current market container valuations, where overall lease payment is comparable to that under current market conditions, and CS Container is expected to generate a fair rate of return.
- Each box range (defined as type and date of build) will have its own rate and lease period.

Methodology:

For CS Container's self-owned containers, the lease rate has been determined based on (i) market values of the containers when the lease period starts; (ii) residual value at the end of the duration for the leases; (iii) a reasonable rate of return on container leasing based on historical average of listed container leasing companies; and (iv) lease tenors.

In proposing lease tenors, Drewry has suggested:

– Container age <6 years: lease period of 5 years;

– Container age 6-8 years: lease period of 3 years;

– Container age 9-10 years: lease period of 2 years;

– Container age >10 years: lease period of 1 year.

Results:

The resulting annual lease payment for owned containers is US$53.8 million in 2017.

Abbreviation list
TC: Time Charter
TEU: Twenty foot equivalent unit

1. FURTHER INFORMATION ABOUT CS CONTAINER

Incorporation

CS Container was converted into a joint stock limited company in the PRC under the PRC Company Law on 3 March 2004 with CS Company acting as the sole promoter and was listed on Stock Exchange on 16 June 2004.

CS Container's principal place of business in Hong Kong is at 31/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong.

Changes in Share Capital of the Principal Subsidiaries of CS Container

Within the two years immediately preceding the date of this circular, major alterations in the share capital of the principal subsidiaries of CS Container are summarised below:

1. E-shipping Global Supply Chain Management Co., Ltd.

E-shipping Global Supply Chain Management Co., Ltd. was incorporated in the PRC on 21 July 2002 with the registered capital of RMB20,000,000. As of the Latest Practicable Date, CS Container held 50% of its equity interests directly.

2. China Shipping Container Lines (Hong Kong) Co., Ltd.

China Shipping Container Lines (Hong Kong) Co., Ltd. was incorporated in Hong Kong on 3 July 2002 with the registered capital of HK$1,000,000 and US$1,627,558,800. As of the Latest Practicable Date, CS Container held 100% of its equity interests directly.

3. China Shipping (Africa) Holdings (PTY) Ltd.

China Shipping (Africa) Holdings (PTY) Ltd. was incorporated in South Africa on 11 September 2012 with the registered capital of US$2,000,000. As of the Latest Practicable Date, CS Container held 100% of its equity interests directly.

4. China Shipping (South America) Holdings Ltd.

China Shipping (South America) Holdings Ltd. was incorporated in Brazil on 27 May 2013 with the registered capital of BRL5,852,000. As of the Latest Practicable Date, CS Container held 95% of its equity interests directly, and 5% of its equity interests indirectly.

2. FURTHER INFORMATION ABOUT TARGET ENTITIES

Changes in Share Capital of the Principle Subsidiaries of the Target Entities

Within the two years immediately preceding the date of this circular, major alterations in the share capital of the principal subsidiaries of the target entities are summarised below:

1. Dong Fang International Investment Limited

Dong Fang Container Finance (SPV) Limited was incorporated in British Virgin Island in 2013. As of the Latest Practicable Date, the share capital of Dong Fang Container Finance (SPV) Limited was US$68,195,733.49, Dong Fang International held 100% of its equity interests directly.

Dong Fang Container Finance II (SPV) Limited was incorporated in British Virgin Island in 2014. As of the Latest Practicable Date, the share capital of Dong Fang Container Finance II (SPV) Limited was US$36,344,633, Dong Fang International held 100% of its equity interests directly.

Dong Fang International Asset Management Limited was incorporated in Hong Kong in 1997. As of the Latest Practicable Date, the share capital of Dong Fang International Asset Management Limited was HK$3. Dong Fang International held 100% of its equity interests directly.

Dong Fang International Container Investment Limited was incorporated in Hong Kong in 2012. As of the Latest Practicable Date, the share capital of Dong Fang International Container Investment Limited was HK$10,000, Dong Fang International held 100% of its equity interests directly.

Oriental International Equipment Trading Limited was incorporated in British Virgin Island in 2010. As of the Latest Practicable Date, the share capital of Oriental International Equipment Trading Limited was US$10,000, Dong Fang International held 100% of its equity interests directly.

Dong Fang International Container Limited was incorporated in British Virgin Island in 2004. As of the Latest Practicable Date, the share capital of Dong Fang International Container Limited was US$50,000, Dong Fang International held 100% of its equity interests directly.

Dong Fang International Asset Management (Singapore) Private Limited was incorporated in Singapore in 2012. As of the Latest Practicable Date, the share capital of Dong Fang International Asset Management (Singapore) Private Limited was SG$10,000, Dong Fang International held 100% of its equity interests directly.

Dong Fang International Asset Management (Germany) GmbH was incorporated in Germany in 2013. As of the Latest Practicable Date, the share capital of Dong Fang International Asset Management (Germany) GmbH was Euro 25,000, Dong Fang International held 100% of its equity interests directly.

2. *Florens Container Holdings Limited*

Florens Maritime Limited was incorporated in Bermuda in 2006. As of the Latest Practicable Date, the share capital of Florens Maritime Limited was US$12,000, Florens held 100% of its equity interests directly.

Florens Container Corporation S.A was incorporated in Panama in 1987. As of the Latest Practicable Date, the share capital of Florens Container Corporation S.A was US$10,000. Florens held 100% of its equity interests directly.

Florens Capital Management Company Limited was incorporated in Hong Kong in 2010. As of the Latest Practicable Date, the share capital of Florens Capital Management Company Limited was HK$2,000. Florens held 50% of its equity interests directly.

Florens Shipping Corporation Limited was incorporated in in 1995. As of the Latest Practicable Date, the share capital of Florens Shipping Corporation Limited was US$12,000. Florens held 100% of its equity interests directly.

Florens Container (Macao Commercial Offshore) Limited was incorporated in Macao in 2003. As of the Latest Practicable Date, the share capital of Florens Container (Macao Commercial Offshore) was MOP100,000. Florens held 100% of its equity interests directly.

Florens Management Services (Macao Commercial Offshore) Limited was incorporated in Macao in 2003. As of the Latest Practicable Date, the share capital was MOP100,000, Florens held 100% of its equity interests directly.

Fairbreeze Shipping Company Limited was incorporated in Hong Kong in 1981. As of the Latest Practicable Date, the share capital of Fairbreeze Shipping Company Limited was HK$500,000. Florens held 100% of its equity interests directly.

Florens Container Services Company Limited was incorporated in Hong Kong in 1996. As of the Latest Practicable Date, the share capital of Florens Container Services Company Limited was HK$100. Florens held 100% of its equity interests directly.

Florens (China) Company Limited (佛羅倫(中國)有限公司) was incorporated in Tianjing in 2006. As of the Latest Practicable Date, the share capital of Florens Container Services Company Limited was US$12,800,000. Florens held 100% of its equity interests directly.

Florens (Tianjin) Finance Leasing Co., Ltd. (佛羅倫(天津)融資租賃有限公司) was incorporated in Tianjin in 2010. As of the Latest Practicable Date, the share capital was US$50,000,000. Florens Capital Management Company Limited held 100% of its equity interests directly and Florens held 50% of its equity interests indirectly.

Florens Container Inc. was incorporated in USA in 1997. As of the Latest Practicable Date, the share capital was US$1. Famous International Limited held 100% of its equity interests directly and Florens held 100% of its equity interests indirectly.

Florens Container, Inc. (1998) was incorporated in USA in 1998. As of the Latest Practicable Date, the share capital was US$100. Florens Container Inc. held 100% of its equity interests directly and Florens held 100% of its equity interests indirectly.

Florens Container, Inc. (2002) was incorporated in USA in 2004. As of the Latest Practicable Date, the share capital was US$1. Florens Container Inc. held its 100% equity interests directly and Florens held its 100% equity interests indirectly.

Florens Container, Inc. (2003) was incorporated in USA in 2003. As of the Latest Practicable Date, the share capital was US$1. Florens Container Inc. held 100% of its equity interests directly and Florens held 100% of its equity interests indirectly.

Florens Container Services (USA) Ltd. was incorporated in USA in 1996. As of the Latest Practicable Date, the share capital was US$1. Florens Container Inc. held its 100% equity interests directly and Florens held 100% of its equity interests indirectly.

3. China Shipping Nauticgreen Holdings Company Limited

China Shipping Nauticgreen Bulk 01 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 01 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

China Shipping Nauticgreen Bulk 02 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 02 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

China Shipping Nauticgreen Bulk 03 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 03 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

China Shipping Nauticgreen Bulk 04 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 04 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

China Shipping Nauticgreen Bulk 05 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 05 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

China Shipping Nauticgreen Bulk 06 Limited was incorporated in Hong Kong in July 2014. As of the Latest Practicable Date, the share capital of China Shipping Nauticgreen Bulk 06 Limited was HK$10,000, CS Nauticgreen held 100% of its equity interests directly.

4. China Shipping Leasing Co., Ltd.

Marine Commercial Factoring (Tianjin) Company Limited was incorporated in Tianjing in March 2015. As of the Latest Practicable Date, the share capital of Marine Commercial Factoring (Tianjin) Company Limited was RMB50,000,000, CS Leasing held 100% of its equity interests directly.

5. China Shipping Investment Co., Ltd.

Shanghai Universal Logistics Equipment Co., Ltd. was incorporated in Shanghai in March 2008. As of the Latest Practicable Date, the share capital of Shanghai Universal Logistics Equipment Co., Ltd. was RMB850,000,000, CS Investment held 100% of its equity interests directly.

6. Long Honour Investment Limited

COSCO Container Industries Limited was incorporated in British Virgin Island in 2004. As of the Latest Practicable Date, the issued share capital of COSCO Container Industries Limited was US$1. Long Honour held 100% of its equity interests directly.

Intellectual Property Rights of the Target Entities

1. Trademark

As the Latest Practicable Date, the following trademarks material to the business of the target entities were registered:

(1) Florens Container Holdings Limited

Number	Right Owner	Figurative of Trademark	Product Category	Registration Number	Right Term
1	Florens		39	2003B13342	5, September, 2018
2	Florens		39	200401174	5, September, 2018

Number	Right Owner	Figurative of Trademark	Product Category	Registration Number	Right Term
3	Florens		35	199606340	22 October 2025
4	Florens		39	199603677	22 September 2025
5	Florens Container Inc.	Computer System			2 June 2025

(2) China Shipping Investment Co., Ltd.

Number	Right Owner	Figurative of Trademark	Product Category	Registration Number	List of Goods/ Services	Right Term
1	Shanghai Universal Logistics Equipment Co., Ltd.	DFIC	6	10139340	Containers	From 2013.03.28 to 2023.03.27
2	Lianyungang Universal Special Vehicle Manufacturing Co., Ltd.	连洲 LIANZHOU	12	5635017	Motor vehicles for road, air, sea or rail usage; sprinkler (vehicle); trailer (vehicle); fire hose car; truck; motor vehicles for road, air, sea or rail usage; truck (vehicle); concrete mixer truck; sweeper; refrigerator car	From 2009.08.28 to 2019.08.27

2. *Patent*

As the Latest Practicable Date, the following patents material to the business of the Target Entities were registered:

(1) Florens Container Holdings Limited

Patent Owner	Name	Type	Patent Number	Application Date	Authorized Announcement Date	Valid Period
Florens Container Service Shenzhen Co., Ltd.; Jiangxi Yuancheng Automobile Technology Co., Ltd.; Shanghai PANASIA Shipping Co., Ltd.	Vehicle transportation bracket and vehicle transportation device	utility models	ZL 2011 2 0436543.X	2011.11.07	2012.09.12	10 years from application date

(2) China Shipping Investment Co., Ltd.

Number	Patent Owner	Name	Type	Patent Number	Application Date	Authorized Announcement Date	Valid Period
1.	Dong Fang International Container (Jinzhou) Co., Ltd.; Wang Hongxiang	Hole-drilling and screw-locking device for container floor boards	invention	ZL 2011 1 0412379.3	2011.12.13	2014.01.01	20 years from application date
2.	Dong Fang International Container (Jinzhou) Co., Ltd.	Double 20-foot conjuncted overweight dried goods containers	utility models	ZL 2012 2 0394535.3	2011.10.17	2012.06.13	10 years from application date
3.	Dong Fang International Container (Jinzhou) Co., Ltd.; Wang Hongxiang	Container floor drilling and pin locking device	utility models	ZL 2011 2 0516087.X	2011.12.13	2012.09.05	10 years from application date
4.	Dong Fang International Container (Jinzhou) Co., Ltd.	Container door sealing structure	utility models	ZL 2012 2 0007917.0	2012.01.10	2012.09.19	10 years from application date
5.	Dong Fang International Container (Jinzhou) Co., Ltd.	Container wood floor automatic material trimming and feeding conveying device	utility models	ZL 2012 2 0689247.5	2012.12.14	2013.07.03	10 years from application date

Number	Patent Owner	Name	Type	Patent Number	Application Date	Authorized Announcement Date	Valid Period
6.	Dong Fang International Container (Jinzhou) Co., Ltd.	Gas source monitoring system	utility models	ZL 2013 2 0377435.9	2013.06.26	2013.11.20	10 years from application date
7.	Dong Fang International Container (Jinzhou) Co., Ltd.	Cement wall type steel structure container house	utility models	ZL 2013 2 0266381.9	2013.05.16	2013.11.13	10 years from application date
8.	Dong Fang International Container (Jinzhou) Co., Ltd.	Top self-draining type container house	utility models	ZL 2013 2 0266309.6	2013.05.16	2013.11.13	10 years from application date
9.	Dong Fang International Container (Jinzhou) Co., Ltd.	Bulk cargo container top cover	utility models	ZL 2013 2 0851275.7	2013.12.23	2014.07.02	10 years from application date
10.	Dong Fang International Container (Jinzhou) Co., Ltd.	Integrated container house door-window pocket	utility models	ZL 2013 2 0852434.5	2013.12.23	2014.07.02	10 years from application date
11.	Dong Fang International Container (Jinzhou) Co., Ltd.	Die for forming gooseneck groove lower cross beam at one time	utility models	ZL 2013 2 0819847.3	2013.12.14	2014.05.21	10 years from application date
12.	Dong Fang International Container (Jinzhou) Co., Ltd.	Die for forming gooseneck groove short beam at one time	utility models	ZL 2013 2 0819859.6	2013.12.14	2014.05.21	10 years from application date

Number	Patent Owner	Name	Type	Patent Number	Application Date	Authorized Announcement Date	Valid Period
13.	Dong Fang International Container (Jinzhou) Co., Ltd.	Standard container door column integral stamping die	utility models	ZL 2014 2 0059882.4	2014.02.10	2014.07.09	10 years from application date
14.	Dong Fang International Container (Jinzhou) Co., Ltd.	Automatic energy-saving sanding mechanism for container	utility models	ZL 2014 2 0721059.5	2014.11.27	2015.04.22	10 years from application date
15.	Dong Fang International Container (Jinzhou) Co., Ltd.	Improved container bottom frame structure	utility models	ZL 2011 2 0148432.9	2011.05.11	2011.11.30	10 years from application date
16.	Dong Fang International Container (Jinzhou) Co., Ltd.	Automatic production line of container door cross beam	utility models	ZL 2013 2 0091816.0	2013.02.28	2013.08.07	10 years from application date
17.	Dong Fang International Container (Guangzhou) Co., Ltd.; Maanshan Fuyuan Machinery Manufacturing Co., Ltd.	Automatic production system of container bottom beam	utility models	ZL 2013 2 0608287.7	2013.09.29	2014.03.19	10 years from application date
18.	Dong Fang International Container (Guangzhou) Co., Ltd.	Novel container top plate	utility models	ZL 2013 2 0623722.3	2013.10.10	2014.03.26	10 years from application date

Number	Patent Owner	Name	Type	Patent Number	Application Date	Authorized Announcement Date	Valid Period
19.	Dong Fang International Container (Guangzhou) Co., Ltd.	Improved container side plate	utility models	ZL 2013 2 0623928.6	2013.10.10	2014.03.26	10 years from application date
20.	Dong Fang International Container (Guangzhou) Co., Ltd.	Automobile transportation container	utility models	ZL 2013 2 0624350.6	2013.10.11	2014.03.26	10 years from application date
21.	Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd.	Automobile transportation frame for container	utility models	ZL 2010 2 0218441.6	2010.06.07	2011.03.02	10 years from application date
22.	Dong Fang International Container (Guangzhou) Co., Ltd.	Automatic production line of container door cross beam	utility models	ZL 2013 2 0091816.0	2013.02.28	2013.08.07	10 years from application date

3. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CS Container Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

4. INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

5. INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

Name	Class of shares	Number of underlying H shares	Capacity	Percentage in the relevant class of share capital *(%)*	Percentage in total share capital *(%)*
CS Company	A Shares	5,280,795,012 (L)	Beneficial owner	66.57	45.20
	H Shares	100,944,000 (L)	Beneficial owner	2.69	0.86
BlackRock, Inc.	H Shares	225,642,244 (L) 6,494,587 (S)	Interest of controlled corporation	6.02 0.17	1.93 0.06
The Northern Trust Company (ALA)	H Shares	249,945,900 (P)	Approved lending agent	6.66	2.14

(L) – Long position, (S) – Short position, (P) – Lending pool

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any existing or proposed service contract with any member of the Group which would not expire or was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date:

(a) none of the Directors or Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any of their associate(s) had interest in a business which competes or may compete with the business of the Group, or may have any conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the experts whose name/advices and/or reports are contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on Corporate Finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants, Hong Kong
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Baker Tilly Hong Kong Limited	Certified Public Accountants, Hong Kong
China Tong Cheng Assets Appraisal Co., Ltd.	Independent Asset Valuer
Drewry Shipping Consultant Ltd.	Independent Industry Consultant

As at the Latest Practicable Date, each of the experts mentioned above, (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

10. LITIGATION

As at the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

11. MATERIAL CONTRACTS

Save for the following material contracts, the Enlarged Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Enlarged Group) within the two years immediately preceding the date of this circular:

(a) an equity transfer agreement dated 3 January 2014 entered into between the Company and China Shipping Logistics Co., Ltd., pursuant to which the Company agreed to sell 100% equity interest in Shanghai China Shipping International Container Storage and Transportation Co., Ltd. to China Shipping Logistics Co., Ltd. in the aggregate consideration of RMB305,411,200.38 *(Note: details of the agreement were disclosed in the Company's announcement dated 6 January 2014)*;

(b) an equity transfer agreement dated 3 January 2014 entered into between the Company and China Shipping Investment Co., Ltd., pursuant to which the Company agreed to sell 100% equity interest in Shanghai Zhengjin Industrials Co., Ltd. to China Shipping Investment Co., Ltd. in the aggregate consideration of RMB372,723,032.33 *(Note: details of the agreement were disclosed in the Company's announcement dated 6 January 2014)*;

(c) the Dong Fang International Acquisition Agreement;

(d) the Florens Acquisition Agreement;

(e) the CS Financial Assets Acquisition Agreement;

(f) the CS Leasing Acquisition Agreement;

(g) the CS Investment Acquisition Agreement;

(h) the CS Finance Equity Acquisition Agreement;

(i) the COSCO Finance Capital Increase Agreement;

(j) the Long Honour Acquisition Agreement;

(k) the CBHB Equity Acquisition Agreement;

(l) the CS Ports Sales Agreement;

(m) CS Container Agency HK Sales Agreement;

(n) the Universal Shipping Sales Agreement;

(o) the Golden Sea Sales Agreement;

(p) the CSSP Equity Sales Agreement;

(q) the Golden Sea Equity Sales Agreement;

(r) the CS Onshore Agency Sales Agreement; and

(s) the Shenzhen Agency Sales Agreement.

12. MISCELLANEOUS

(a) The joint company secretaries of the Company are Mr. Yu Zhen ("**Mr. Yu**") and Ms. Ng Sau Mei ("**Ms. Ng**"). Mr. Yu is a certified public accountant (CPA) of the PRC and a mid level accountant. Ms. Ng is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

(b) The legal address in the PRC of CS Container is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC and the principal place of business in the PRC of CS Container is Maritime Research Building, 628 Minsheng Road, Pudong New Area, Shanghai, the PRC. The Hong Kong H Share registrar and transfer office of CS Container is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular shall prevail over their respective Chinese text in case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 31/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong from the date of this circular up to Wednesday, 13 January 2015 (both days inclusive):

(a) the articles of association of CS Container;

(b) the Letter from the Board, the full text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the Letter of recommendation from the Independent Board Committee to the Independent Shareholders, the full text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the Letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set forth in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the annual reports of CS Container for the years ended 31 December 2012, 2013, and 2014;

(f) the Accountants' Reports of the Financial Equity, the full texts of which are set out in Appendices I-A to I-J to this circular;

(g) the report on the unaudited pro forma financial information of the Enlarged Group from Ernst & Young, the full text of which is set out in Appendix III to this circular;

(h) the valuation reports from China Tong Cheng Assets Appraisal Co., Ltd., the summary of which is set out in Appendix IV to this circular;

(i) the Drewry Container Shipping Asset Leasing Strategy Report from Drewry Shipping Consultants Ltd., the full text of which is set out in Appendix V to this circular;

(j) copies of all material contracts as referred to the section headed "Material Contracts" in Appendix VI to this circular;

(k) letters of consent issued by each expert as referred to in the section headed "Expert's Qualifications and Consent" in Appendix VI to this circular; and

(l) a copy of this circular.